



Introducing EU Reduction Targets on Regulatory Costs: A Feasibility Study

Andrea Renda

Abstract

This report looks at the feasibility of a European Commission's initiative aimed at adopting net reduction targets for regulatory costs. As many as 14 alternative options are compared in terms of their comprehensiveness, accuracy, methodological simplicity, timeliness of implementation and compatibility with existing political commitments. The study calls for the adoption of a sequential approach to cost reduction, which implies that the Commission starts setting reduction targets in selected policy areas as early as the end of 2017, and gradually builds capacity over time on the quantification of regulatory costs for all the relevant EU *acquis*.

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Executive Summary

The need to consolidate and streamline the stock of legislation and reduce the costs associated with legal rules has been increasingly felt by regulated stakeholders and governments in many developed and emerging economies. Against this background, the European Commission has launched important initiatives aimed at simplifying EU legislation since the 1990s, and even more after 2007, when a first baseline measurement of administrative burdens generated by EU legislation was initiated. In the first half of this decade, initiatives like REFIT and the new better regulation agenda and guidelines strengthened the emphasis on cost quantification and monetization, but there seems to be additional margin for efforts in this direction. In 2016, EU institutions reiterated and relaunched their commitment towards monitoring and reducing regulatory costs, both in the Inter-Institutional Agreement on Better Lawmaking signed by the Commission, the Parliament and the Council in April 2016; and in the Conclusions of the Competitiveness Council during the Dutch Presidency of the EU in May 2016. These documents refer to the possibility of monitoring regulatory costs, including by defining sector-specific reduction strategies, which may include reduction targets. As explained in this report, both the European Commission and a number of Member States have already gained experience in the definition and implementation of reduction targets, with the aim to maintain and reduce the stock of regulatory costs. Moreover, both the EU and some of the Member States have experience in sectoral reviews of existing regulations.

This report looks at the feasibility of a Commission's initiative aimed at adopting reduction targets for regulatory costs. Such targets must be intended as "net", since they should take into account the regulatory costs that are removed, and also the ones that are added to the stock through the adoption of new rules. The report is not aimed at questioning the importance of regulatory benefits as a central objective of EU policymaking, but rather at ensuring that such benefits are achieved at the minimum possible cost for businesses and citizens.

Past experience with cost reduction strategies

The report is based on both desk research and interviews carried out with Member States representatives as well as European Commission officials. It also incorporates the experience of Member States, and particularly RegWatchEurope members, in the definition and implementation of reduction strategies related to regulatory costs, as well as in the setting of reduction targets¹. Such experience provides several important insights, which are accounted for in describing the feasibility of options available to the European Commission. More in detail, the lessons that emerge from the national experience include the following:

- Targets can be set politically: there is no need for extensive data collections and/or baseline measurements before the target is set. As discussed in the main text of the Study, many Member States have experimented with baseline measurement in the past, but have

¹ RegWatchEurope members include the Czech Republic, Finland, Germany, the Netherlands, Norway, Sweden, and the United Kingdom.

then come to realize that focusing on the flow of new regulation is a more cost-effective way to achieve and monitor cost reductions. That said, this political nature does not require that targets be arbitrarily set: the more information is available on the composition and magnitude of the stock of regulatory costs, the more accurate and actionable the target will be.

- Overall targets are more effective than targets that are referred to either specific industry sectors or specific policy areas, regardless of whether the reduction strategy focuses on all legislation, or only specific areas perceived as particularly burdensome. As a matter of fact, targets that are sector-specific may miss important, cross-cutting pieces of legislation and be perceived as unfairly prioritizing certain sectors over others; and targets that are specific for policy areas might not lead to a whole-of-government commitment towards cost reduction (see also below, on behavioural impacts). Moreover, Member States have no experience on setting and implementing reduction targets related to specific sectors or policy areas: to the contrary, many countries have set targets for the whole stock of regulatory costs (most often, limited to administrative burdens for businesses). This lesson is particularly important, also since the wording of the Inter-Institutional Agreement on Better Lawmaking, and that of the May 2016 Conclusions of the Competitiveness Council both refer to the possible setting of targets in specific sectors.
- Target-setting can have a significant behavioural impact on the officials in charge of policy assessment and evaluation. Rather than requiring extensive prior data collection, often targets can lead to better data and methodological improvements. Establishing a whole-of-government target can motivate officials to look more carefully for possible cost reductions and provide them with a general obligation to quantify and monitor the costs that regulation generates for stakeholders. The effect is reinforced whenever a stock-flow linkage rule such as “one in, x out” is in place.

Mapping alternative options: a scorecard analysis

The report identifies a number of options, which can be considered as broadly representative of alternative approaches to the setting of net reduction targets on regulatory costs at the EU level. The compared options differ in terms of:

- *Scope of the target*: some options envisage the setting of an overall target for the whole relevant EU *acquis*, whereas others feature the setting of targets for specific policy areas or industry sectors.
- *Type of regulatory cost*: some options focus only on administrative burdens, whereas others focus also on substantive compliance costs.
- *Measurement*: some options imply a baseline measurement of regulatory costs before the target is set, whereas others do not require a prior measurement and focus only on the so-called “delta” (measuring the costs that are removed, and the ones that are introduced).

- *Source of information.* Some options rely on the REFIT process as a way to identify and prioritize reduction measures, whereas other options are based on the cumulative cost assessments (CCAs) completed by the European Commission in the past few years; and yet others envisage an input from Member States in the identification of the areas to prioritize and the regulatory costs and obligations to target for reduction measures.

While suggesting this sequence of actions and the creation of a net reduction target at the EU level, the report does not take a clear stance in favour or against the introduction of a stock-flow linkage rule such as “one in, one out” or a variant thereof. As suggested in the report, such an approach is potentially complementary to the setting of a net reduction target, and might exert a positive impact on the incentives of the Commission officials to improve the quantification and monetization of regulatory costs. At the same time, fully appraising the impact and feasibility of such rule in the specific context of the EU administration falls outside the scope of this report, and is left as an open possibility, which by itself does not affect the feasibility of setting a reduction target.

The report compares 14 alternative options, which are then scored based on five criteria, meant to represent the overall methodological and political feasibility of the policy options considered. More in detail, three methodological criteria form the basis for the assessment of alternative options in this study:

- *Comprehensiveness and overall impact.* This criterion accounts for the breadth of coverage and the overall expected impact in terms of simplification. The more comprehensive the reduction strategy is, the more significant the impact on cost reduction.
- *Accuracy.* This accounts for the level of detail reached by the analysis (including, i.a. the quality of the data and the representativeness of the sample) to ensure effective reduction measures. Accuracy is not necessarily the leading criterion when assessing possible options: its inclusion in the set of feasibility criteria implies that, other things being equal, a more accurate option should be considered as preferable to a less accurate, less evidence-based one.
- *Methodological simplicity.* This criterion looks at how simple it would be to define and implement a given methodology for the measurement and reduction of regulatory costs. For example, completing a full-fledged baseline measurement of regulatory costs presents a greater difficulty than approaches that focus only on the flow of new legislation. And assessing compliance costs (including both administrative burdens and substantive compliance costs) is expected to be more complex than assessing only administrative burdens.

In addition, two criteria, focused on the procedural and political feasibility of the options, were considered:

- *Time needed for implementation.* Sectoral reduction strategies may require less time to start, since they allow for the selection, among those priority areas that are considered as particularly burdensome, of those ones where information on burdensome obligations is more available. In this report, in order to assess this element of feasibility, we consider the likelihood that the European Commission launches a regulatory cost reduction strategy already before the end of 2017 (in line with the content of the Competitiveness Council conclusions of May 2016).
- *Compatibility with existing commitments.* Apart from the time dimension, the degree of alignment of the option at hand with existing EU commitments as emerging from the Inter-Institutional Agreement on Better Lawmaking and on the Conclusions of the Competitiveness Council during the Dutch Presidency in May 2016 is relevant when assessing what could be reasonably developed in the short term. To be sure, the European Commission is free to set reduction targets independently of the existing commitments: however, options that deviate from what the Commission has committed towards, or from what the Council has explicitly called on the Commission to do, would potentially require additional political debate, and thus a lengthier process. Compatibility thus also represents what is politically salient and feasible, as it corresponds with existing commitments of the Commission, and a mandate formulated by Member States.

A full explanation of how the scores were attributed to the various alternatives is provided in the main text of the Study. Importantly, to avoid giving arbitrary weights to the five chosen criteria or undesirable double counting of impacts, this analysis and the resulting table were used only for the purpose of mapping and eliminating all those options that score no better than one or more other options across all five criteria, and score worse on at least one. The uneliminated options are highlighted in green in table A below.

Table A. Scorecard analysis of the main options

Option 1 <i>Measurement and net reduction targets for administrative burdens</i>	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Comprehensiveness	••	•	•	•
Accuracy	•••	•••	•••	••
Methodological Simplicity	•••	•••	•••	•
Timely implementation	•	••	•••	•
Compatibility with existing commitments	••	••••	••	•
Option 2 <i>Net reduction targets for administrative burdens (no baseline)</i>	A All (major) EU legislation	B Sectoral, based on REFIT	C* Sectoral, based on CCAs	D Sectoral, based on MS data
Comprehensiveness	••	•	•	•
Accuracy	•••	•••	•••	••
Methodological Simplicity	••••	•••••	•••	••
Timely implementation	•••	••••	•••	••
Compatibility with existing commitments	••	••••	••	•
Option 3 <i>Measurement and net reduction targets for all compliance costs</i>	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Comprehensiveness	•••••	••••	•••	••••
Accuracy	••	•••	•••	••
Methodological Simplicity	•	••	•••	•
Timely implementation	•	••	•••	•
Compatibility with existing commitments	••	••••	•••	•
Option 4 <i>Net reduction targets for compliance costs (no baseline)</i>	A All (major) EU legislation	B Sectoral, based on REFIT	C* Sectoral, based on CCAs	D Sectoral, based on MS data
Comprehensiveness	•••••	••••	•••	•••
Accuracy	••	•••	•••	•
Methodological Simplicity	••	•••	•••	••
Timely implementation	••	•••	•••	••
Compatibility with existing commitments	••••	•••••	•••	•

* Options 1C and 2C, and option 3C and 4C, are identical.

Based on the scores attributed to the alternatives considered, only three options need be retained:

- Option 2B.** Specific net reduction targets for administrative burdens coupled with net reduction programmes on administrative burdens in specific policy areas, identified within the REFIT process as being particularly burdensome.
- Option 4B.** Specific net reduction target for administrative burdens and substantive compliance costs, coupled with a comprehensive reduction strategy for both types of costs, for selected policy areas identified within the REFIT strategy as being particularly burdensome.
- Option 4A.** Overall reduction target for administrative burdens and substantive compliance costs, coupled with a comprehensive reduction strategy for both types of costs, for the whole relevant EU *acquis*.

Each of the non-dominated options has a particular strength over others. Option 2B, which focuses on administrative burdens in areas prioritized within the REFIT strategy, is the simplest one, as it requires the setting of specific targets and the monitoring of the stock of regulation through use of the Standard Cost Model in selected policy areas. It is also the option that can be implemented in the timeliest way. Its disadvantage is that it is less comprehensive than others and less well-aligned with the experience of some of the more advanced Member States (in particular, the UK and Germany) on what has been impactful. Against this background, its extension to compliance costs (option 4B) is more comprehensive and compatible with existing commitments, and would not require much more time for implementation. An assessment would then have to be made on the possibility of starting directly with option 4B, which would be more impactful as it would cover also substantive compliance costs. At the same time, Option 4A, which implies an overall net reduction target on both administrative burdens and substantive compliance costs and reduction programmes for all major EU legislation, is the most comprehensive among those retained and is the preferred option in the long term.

Importantly, these options can be combined, to create a sequential, incremental approach to building a strong net cost reduction programme in the EU. This is what this study proposes as the most feasible and impactful option.

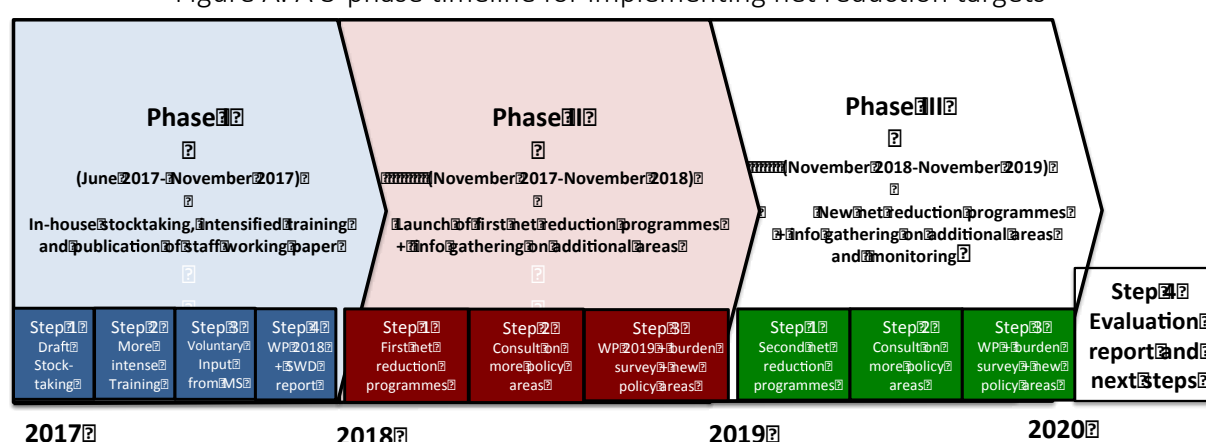
The preferred option, and a proposed timeline

Our scorecard analysis suggests that Option 4A would be the most impactful option, since it would create a comprehensive approach to cost reduction at the EU level. However, this option might not be feasible in the short term. To achieve a net target (2B, 4B or 4A) the Commission will need to ensure a more systematic use of the existing methodology for the quantification of regulatory costs. Experiences in some Member States have shown that the setting of a target itself ensures better quantification. A possible way forward is to first start on a small scale and then expand to the most comprehensive and impactful option, 4A.. This is why this report proposes a path towards the optimal solution: a combination of options 2B and 4B, leading to

option 4A. The proposed path implies that the Commission builds capacity over time on the quantification of substantive compliance costs, and then scales up the programme to the whole relevant EU *acquis*. This way tangible results can be ensured for all entrepreneurs dealing with EU legislation, in all sectors.

This Study proposes as an option three main phases (with a total of 11 steps, described in more detail in the main text of the Study) in what is envisaged as a feasible, sustainable path toward developing a strong cost reduction framework in the European Commission. These phases and steps are designed and presented as the “most feasible” (not the “simplest”).

Figure A. A 3-phase timeline for implementing net reduction targets



The proposed multi-step approach will have to be politically supported over a reasonably long time frame, in particular to enable the transition from a focus on specific sectors, towards a broader scope and the management of an overall reduction target. Over time, the involvement of other EU institutions such as the European Parliament, the Council, and the European Court of Auditors is important to ensure that the Commission is not left alone in its effort to reduce regulatory costs. At the same time, the ongoing involvement and consultation of stakeholders is essential to avoid that the proposed reduction strategies remain essentially in the domain of experts, and to ensure that the cost reduction strategy leads to tangible results. The best way to ensure ownership and support at both the highest political level and the stakeholder community is to achieve results over time, and communicate them in a timely, effective and evidence-based manner. This also appears to be an important precondition to make sure that the next European Commission, which will take office at the end of 2019, decides to endorse and further promote the proposed net reduction strategy as an example of what the EU can deliver for its businesses and citizens.

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Introduction

The need to consolidate and streamline the stock of legislation and reduce the costs associated with legal rules has been increasingly felt by regulated stakeholders and governments in many developed and emerging economies. The underlying assumption is that regulation, while providing benefits to society, can also generate significant, unnecessary costs on businesses and citizens. Achieving a reduction of those costs can provide substantial benefits to the economy of a country, by liberating resources that can be allocated to more productive uses, and without jeopardizing regulatory benefits. Accordingly, all those countries that have established themselves as leaders in the field of regulatory governance have decided to adopt, in addition to other instruments such as public consultation and regulatory impact analysis, comprehensive programs for the measurement and reduction of regulatory costs. These programs feature important similarities, but also a number of important differences. In particular, some countries focus only on administrative burdens, rather than taking a broader view of substantive compliance costs; some countries have undergone a comprehensive baseline measurement of the stock of regulatory cost, whereas others have decided to focus directly on the flow of new regulation; and among the latter group, some countries have adopted a net reduction target expressed in absolute or percentage terms, whereas other countries operate a “one in, x out” rule to control the flow of new regulations; finally, some countries have coupled this system with a full-fledged cost-benefit analysis of new legislative and regulatory proposals.

Against this background, the European Commission has launched important initiatives aimed at simplifying EU legislation since the 1990s, and even more after 2007, when a first baseline measurement of administrative burdens generated by EU legislation was initiated. That measurement covered 43 EU Directives that had been flagged as particularly burdensome for businesses by a pilot study based on data from four Member States (the Netherlands, the Czech Republic, Denmark and the UK). The measurement led to the identification of a number of “low hanging fruits”, which were prioritized as “fast-track actions” in the effort to reduce administrative burdens by 25% during the 2007-2012 period. The reduction efforts were accompanied and overseen by a High Level Group on Administrative Burdens, which was later discontinued in 2014 when the Juncker Commission took office. At the same time, since 2012 the Commission has re-organized its better regulation (and in particular, regulatory simplification) efforts with the launch of the REFIT programme, which focuses on entire policy areas with the aim of ensuring that EU laws deliver their intended benefits for citizens, businesses and society while removing red tape and lowering costs. At the end of 2014, the

Council conclusions on better regulation already called on the Commission to “develop and put in place – on the basis of input from Member States and stakeholders – reduction targets in particularly burdensome areas, especially for SMEs, within the REFIT Programme”, noting that “this approach would not require a baseline measurement and should consider at the same time the costs and benefits of regulation”. After the adoption of a new better regulation package in May 2015, the Commission has also created a new REFIT platform (composed of a government group and a stakeholder group), chaired by the First Vice President and aimed at making “EU regulation more efficient and effective while reducing burden and without undermining policy objectives”².

In 2016, EU institutions reiterated and relaunched their commitment towards monitoring and reducing regulatory costs. First, the Inter-Institutional Agreement on Better Lawmaking signed by the Commission, the Parliament and the Council in April 2016 includes a recital in which the “three Institutions recognise their joint responsibility in delivering high-quality Union legislation and in ensuring that such legislation ... avoids overregulation and administrative burdens for citizens, administrations and businesses”; another recital where the three Institutions “affirm that the goals of simplifying Union legislation and reducing the regulatory burden should be pursued without prejudice to the achievement of the policy objectives of the Union, as specified in the Treaties, or to safeguarding the integrity of the internal market”; and a section (n. 48) in which the Commission, as a contribution to the REFIT programme, “undertakes to present annually an overview, including an annual burden survey, of the results of the Union's efforts to simplify legislation and to avoid overregulation and reduce administrative burdens”. This important undertaking comes with a renewed commitment to quantify, wherever possible, the regulatory burden reduction or savings potential of individual proposals or legal acts and to “assess the feasibility of establishing, in REFIT, objectives for the reduction of burdens in specific sectors”³.

One month later, the Conclusions of the Competitiveness Council during the Dutch Presidency of the EU in May 2016 welcomed the Commission’s commitment towards enhanced measurement of regulatory costs, and urged the Commission to rapidly proceed on this to enable the introduction of reduction targets in 2017, “whilst always taking into account a high level of protection of consumers, health, the environment and employees and the importance of a fully functioning Single Market”. The same document also clarifies that “such targets should be well-defined, pragmatic and sound, and should focus on sectors or sets of regulation that are particularly burdensome, areas relevant for SMEs and with strong potential for innovation, and fitting within the current REFIT priorities”.

This study, commissioned by RegWatchEurope, looks at the feasibility of the adoption, by the European Commission, of net reduction targets for regulatory costs. Importantly, the Study is

² https://ec.europa.eu/info/law/law-making-process/overview-law-making-process/evaluating-and-improving-existing-laws/reducing-burdens-and-simplifying-law/refit-platform_en

³ [http://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32016Q0512\(01\)](http://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32016Q0512(01))

not aimed at questioning the importance of regulatory benefits as a central objective of EU policymaking, but rather at ensuring that such benefits are achieved at the minimum possible cost for businesses and citizens. The Study is based on both desk research and interviews carried out with Member State representatives as well as European Commission officials.

The Study is structured along three main sections. Section 1 below sets the stage by clarifying a number of basic definitions, discussing data availability at the EU level and exploring the state of advancement of net reduction targets for regulatory costs in EU Member States. Section 2 presents our main selection of options, and ends up selecting a limited number of options that are considered as both feasible and preferable to any other. Section 3 analyses the retained options more in depth and offers final recommendations on how to proceed in the implementation of the selected approach.

Box 1. What is a “feasibility study”?

Studying the feasibility of setting net reduction targets for regulatory costs is a tricky exercise, and one that is potentially subject to various interpretations. At one extreme, it is obvious that setting a net reduction target is more than feasible: the European Commission would just need to announce the target, whether all-encompassing or sector-specific, and the target would be in place. From that moment onwards, the Commission would need to ensure that progress towards the achievement of the target is made in a consistent and timely way. If this were our definition of feasibility, then this study would be very short, and assertive: the answer to the question whether a net reduction target is feasible would simply be “yes”.

This study takes a more nuanced view of what feasibility stands for. Throughout the next pages, the study considers feasibility as being determined by the likelihood that a sufficiently accurate, politically acceptable and cost-effective exercise is launched at the EU level by the end of 2017. This requires an understanding of the existing commitments (as deriving from the Inter-Institutional Agreement on Better Lawmaking); the need for an inclusive, multi-stakeholder, evidence-based process (hence the need for involving stakeholders at every step of the process including through the REFIT platforms); the need to intensify training of Commission officials to increase the degree of quantification of costs in ex ante impact assessments and other evaluation documents; and the need to avoid creating *de novo* cooperation mechanisms and platforms, which takes time and would undermine the need for a timely implementation of the reduction exercise.

Accordingly, this study shies away from easy answers, and tries to dig deeper into the various elements that need to be considered in order to assess the real feasibility of setting a successful net reduction programme related to regulatory costs. This is essential in order to avoid repeating mistakes that, in the past, have ended up undermining the credibility of such process at the EU level, as explained in more detail in Section 2 below).

1. Preliminary definitions

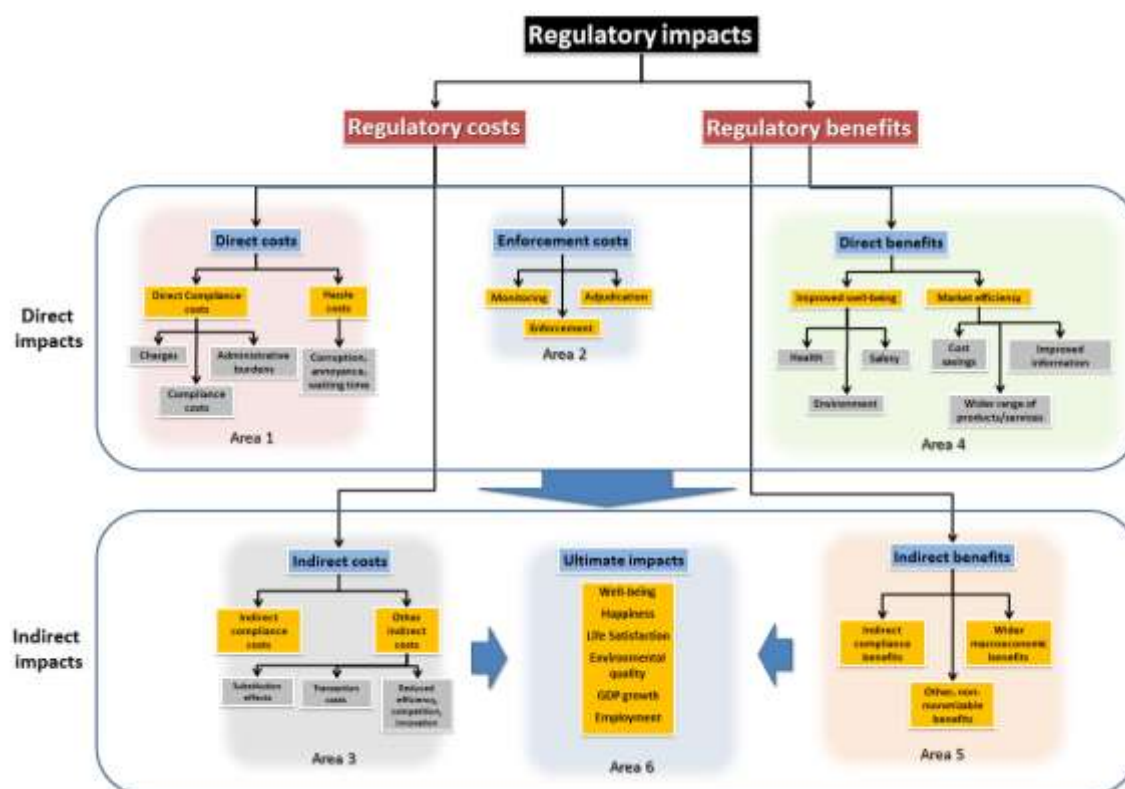
This Section presents a number of preliminary definitions, which will be useful for the reader throughout the Study. In particular, Section 1.1 provides a description of the main categories of cost and benefit generated by legislation, and then shows where this Study will mostly focus its attention, *i.e.* direct regulatory costs. Section 1.2 explores the definition of “net target” as

emerging from the literature as well as national experience. Section 1.3 discusses pre-existing initiatives on the reduction of regulatory costs at the EU level, and couples this description with a discussion on the current availability of data that the Commission could use in order to operationalize net reduction targets for regulatory costs. Section 1.4 looks at the current development in selected countries, and takes stock on the compatibility of existing national measurements in view of a possible coordination between the EU and national level in setting and achieving net reduction targets for regulatory costs.

1.1 A taxonomy of regulatory costs and benefits

Figure 1 below shows a general map of the impacts generated by legal rules (Renda *et al.* 2013). This map, now part of the European Commission's better regulation toolbox, is intended for ease of visualization of the full landscape of regulatory impacts: as such, it should be taken as a tentative exercise, not as an attempt to establish once and for all the categories of costs and benefits that can emerge from regulation (as a matter of fact, guidance documents on impact assessment and cost-benefit analysis from all over the world show different taxonomies and typologies of costs and benefits).

Figure 1. A map of regulatory costs and benefits



Source: Renda et al. (2013)

As shown in Figure 1, legislation normally produces both direct and indirect impacts, which in turn can be compared in order to assess a variety of “ultimate impacts”. Figure 1 also highlights six main areas of regulatory impacts.

For what concerns costs:

- **Area 1 includes direct costs from regulation (DC)**, such as direct compliance costs and hassle/irritation burdens.
 - *Direct compliance costs* include:
 - *Regulatory charges*, which include fees (such as spectrum and licensing), levies (e.g. copyright levies), taxes, etc.
 - *Substantive compliance costs*, which encompass those investments and expenses that are faced by businesses and citizens in order to comply with substantive obligations or requirements contained in a legal rule (e.g. the need to install new equipment to avoid interference between co-primary uses of the 700 MHz band); and
 - *Administrative burdens* are those costs borne by businesses, citizens, civil society organizations and public authorities as a result of administrative activities performed to comply with information obligations included in legal rules (e.g. keeping records of security incidents and notify each breach of security to public authorities).
 - *Hassle costs* are often associated with businesses, but they apply equally well to consumers: they include costs associated with waiting time and delays, redundant legal provisions, corruption etc.
- **Area 2 refers to enforcement costs (EC)**. These costs refer to key phases of a rule’s life such as monitoring, enforcement and adjudication. They include costs related to dispute resolution, litigation, appeals, government inspections, etc.
- **Area 3 encompasses indirect regulatory costs (IC)**, which refer to costs incurred in related markets or experienced by consumers, government agencies or other stakeholders that are not under the direct scope of the regulation. These costs are usually transmitted through changes in the prices and/or availability and/or quality of the goods or services produced in the regulated sector. Changes in these prices then ripple through the rest of the economy, causing prices in other sectors to rise or fall and ultimately affecting the welfare of consumers⁴. These costs also include the so-called “indirect compliance costs” (*i.e.* cost related to the fact that other stakeholders have to comply with legislation) and costs related to substitution (e.g. reliance on alternative sources of supply), transaction costs and

⁴ For example, if a given regulation increases the cost of energy production, this will be reflected in the cost structure of a number of industries, which might then pass-on part of this additional cost downstream along the value chain and eventually to end consumers. Similarly, if a certain regulation on the safety of chemical substances entails the withdrawal of certain products, downstream users will have to face replacement costs.

negative impacts on market functioning such as reduced competition or market access, or reduced innovation or investment. For example, if a given auction design generates costs for telecom operators, which are likely to be passed-on downstream in the form of higher retail prices for consumers, this should be counted as an indirect regulatory cost.

Performing a policy evaluation requires constant awareness of the fact that total costs arising from a given regulation are identified by the following sum: **(DC + IC + EC)**. Any assessment that partly or fully, intentionally or inadvertently omits the analysis of one or more of these categories of costs is likely to provide an incomplete, and thus inaccurate account of the costs generated by the legal rule.

For what concerns benefits, Renda et al. (2013) suggest the following categorization:

- **Area 4 includes direct regulatory benefits.** Here, the following categories of benefits can be distinguished:
 - The improvement of the well-being of individuals, which in turn encompasses social and economic condition as well as health, environmental and safety improvements; and
 - Efficiency improvements, which include, notably, cost savings but also information availability and enhanced product and service variety for end consumers, and greater productivity.
- **Area 5 includes indirect regulatory benefits**, which encompass:
 - Spillover effects related to third-party compliance with legal rules (so-called “indirect compliance benefits”);
 - *Wider macroeconomic benefits*, including GDP improvements, productivity enhancements, greater employment rates, etc.; and
 - *Other non-monetizable benefits*, such as protection of fundamental rights, social cohesion, international and national stability, etc.

Finally, **area 6 contains a list of “ultimate impacts” of regulation**, which overlap with the ultimate goals of regulatory intervention: even if some regulations directly aim at achieving these benefits (in which case, we would include them in Area 4), normally all regulations aim, as an ultimate impact at achieving some advancement in social welfare, which can be described in terms of efficiency or in others terms: these ultimate impacts encompass well-being, happiness and life satisfaction, environmental quality, and more economic goals such as GDP growth and employment.

This Study focuses mostly on regulatory costs. Typically, such costs can be distinguished based on various parameters:

- The type of cost *per se* (administrative, compliance costs, charges, non-monetary costs).
- The relation between the legislative act and the cost considered (direct and indirect costs).
- The frequency of occurrence of the costs (one-off costs, and recurring costs).

- The degree of certainty of the costs (costs v. risks).
- The nature of the addressee/target of the costs (businesses, citizens/consumers, public authorities, third country actors, etc.).
- Whether then can be described as economic, social or environmental costs.

As explained above, direct costs can be broken down into compliance costs and hassle costs. Compliance costs are often the bulk of all direct costs generated by legislation: over time, they have become the subject of specific assessment methods in various countries⁵. Within this category, it is possible to distinguish between direct charges, substantive compliance costs, and administrative burdens, as follows:

- Regulation often affects businesses and consumers by imposing so-called *charges*, i.e. the payment of fees, levies, or taxes on certain stakeholders. These costs are often easy to calculate, as their extent is by definition known. What is sometimes more difficult to assess is who will bear those costs, as this might depend on the extent to which these costs are passed-on to entities other than those targeted by the legal rule. For example, copyright levies might be passed-on downstream on end consumers in the form of higher prices for certain hardware devices.
- Regulation normally also entails less explicit costs than direct charges. This is the case of substantive compliance costs which emerge as a result of “obligations” included in legislation, defined as “individual provisions inducing direct changes in costs, time expenditure or both for its addressees”, which “oblige addressees to comply with certain objectives or orders, or to refrain from certain actions”, or also “demand cooperation with third parties or to monitor and control conditions, actions, figures or types of behaviour⁶. Compliance costs can be further broken down into the following categories:

- *One-off costs*: these are faced by actors targeted by regulation since they have to adjust and adapt to the changed legal rule. For example, if a new environmental standard imposes the use of new equipment, the purchase of such new equipment would be needed immediately after the legal rule enters into force. Also, personnel will have to be re-trained as a result of the changes in the legal regime, triggering an important cost element known as “familiarization cost”. All these costs are not likely to be borne by the targeted stakeholder on a regular basis in the future: to the contrary, they occur only once, after the entry into force of the new regulation.
- *Recurrent costs*: these are those types of substantive compliance costs that are sustained by the targeted stakeholders on a regular basis as a result of the existence of a legal rule that imposes specific periodic behaviours. For example, if a new regulation imposes the periodical re-training of employees in a specific economic

⁵ See Section 2.1 below.

⁶ See Federal Government of Germany, *Normenkontrollrat* and Destatis, Guidelines on the Identification and Presentation of Compliance Costs in Legislative Proposals by the Federal Government, 2011, at page 8.

sector (e.g. hospitals, schools), then the cost of training courses and the opportunity cost of the time spent by employees being trained will become a regular cost. Similarly, if a new regulation imposes the periodical roadworthiness tests for cars, mandating that they take place every second year after the purchase of the vehicle, the cost of the test for the car owner becomes a periodical compliance cost.

Compliance costs are most often calculated as a sum of capital costs, financial costs and operating costs.

- *Capital Costs (CAPEX)* occur when a company acquires or upgrades physical assets such as property, industrial buildings or equipment. This type of outlay is made by companies to maintain or increase the scope of their operations. These expenditures can include everything from repairing a roof to building a brand new factory. Once the asset is in place, capital costs generally do not change with the level of activity and are thus functionally equivalent to “fixed costs”. In cost-benefit analysis, capital costs are usually “annualized” over the period of the useful life of the equipment.
- *Operating and Maintenance Costs (OPEX)* include annual expenditures on salaries and wages, energy inputs, materials and supplies, purchased services, and maintenance of equipment. They are functionally equivalent to “variable costs.”
- *Financial costs* are costs related to the financing of investment, and are thus normally considered in relation to CAPEX. However, they can also emerge with respect to OPEX whenever a new legal provision changes the structure of the working capital.
- **Administrative burdens** are those costs borne by businesses, citizens, civil society organizations and public authorities as a result of administrative activities performed to comply with information obligations included in legal rules. More specifically, administrative burdens are the part of administrative costs, which is caused by regulatory requirements: accordingly, they do not include so-called “BAU costs”, i.e. costs that would emerge also in absence of regulation. Administrative burdens, substantive compliance costs and hassle costs are normally mentioned with relation to businesses: however, they can fall also on citizens and public administrations. Typical administrative burdens include the cost of familiarizing with new information obligations (one-off), record-keeping, time spent cooperating with administrations during inspections, etc. They can, of course, fall also on non-EU players whenever access to the EU market is made more burdensome by a new regulation (e.g. the administrative procedure for the approval of novel food is made more lengthy and burdensome by the addition of new information obligations, or new substantive obligations)⁷. We will elaborate more on the concept of administrative burdens in Section 3 below, in describing the Standard Cost Model and its main phases and scope.

⁷ See http://ec.europa.eu/food/food/biotechnology/novelfood/index_en.htm

- Often linked to administrative burdens measurements, *irritation costs (or hassle costs)* are a residual category of direct cost, which is more difficult to quantify or monetize, and also difficult to relate to a specific information obligation. These are more subjectively felt costs that are related to the overlapping of regulatory requirements on specific entities, be they citizens or businesses. By definition, these costs are important for subjective well-being, but very difficult to quantify or monetize (as such, they are kept as a separate, qualitative item in administrative burdens or compliance cost measurement, *e.g.* in the Netherlands). Hassle costs can include costs related to administrative delays (when not directly attributable to an information obligation) and relatedly, the opportunity cost of waiting time when dealing with administrative or litigation procedures. At the same time, irritation burdens are often accounted for in the measurement of administrative burdens (although they are normally not quantified) whenever they are related to specific information obligations, and especially in case of overlaps, redundancies or even worse inconsistencies between legislative provisions.

1.2 The EU experience with cost reduction programmes

As already mentioned in the introduction to this Study, EU institutions have already extensively experimented with regulatory and legislative simplification initiatives, as well as *ad hoc* programmes to seek the measurement and reduction of administrative burdens, directly target “fast track actions” for simplification or earmark policy areas where burden reduction appears possible and impactful⁸.

Below, we illustrate the initiatives that were undertaken over the past decades. Section 1.2.1 briefly focuses on the years preceding the first better regulation package, whereas Section 1.2.2 reports the main initiatives adopted after 2002, and section 1.2.3 focuses on the initiatives contained in the new better regulation package adopted in May 2015.

1.2.1 The early years (before 2002)

The European Commission has already embarked on several rounds of simplification effort, especially since the 1980s. In 1986, during the UK Presidency of the Council, a Business Impact Assessment (BIA) process was introduced, which ensured that a limited number of proposals included in the Annual Policy Strategy were scrutinised, with a view to identifying those that exerted a substantial impact on compliance costs for businesses. However, the BIA system

⁸ Simplification can take, and has taken over the past three decades, a number of forms: Changes to existing law, such as codification (all amendments made to one piece of legislation over the years are incorporated into a single new act, reducing volume and complexity); recasting (legislation is amended at the same time as previous amendments are incorporated to form one consolidated text); repeal (unnecessary and irrelevant laws are removed); review/sunset clauses (laws are reviewed or automatically removed after a given period); or revision (laws are modified to keep them up to date). It can also be achieved by replacing directives with regulations, withdrawing proposals, and adopting more self- or co-regulatory schemes, which can provide simpler alternatives to imposing detailed rules in legally binding agreements.

proved to be more of a box-ticking exercise for many administrations, and did not really succeed in changing the mindset of Commission officials. Accordingly, it was subject to heavy critiques, mostly related to its incompleteness and uncertain institutional setting (Renda 2006). For this reason, the Commission decided during the 1990s to add new tools and to launch new projects for the purpose of completing the evaluation of proposals carried out under the BIA system. Such initiatives include the SLIM project (Simplification of the Legislation on the Internal Market), aimed at strengthening the *ex post* assessment of the quality of regulation; the creation of the BEST (Business Environment Simplification Task Force), in 1997; and the creation of the Business Test Panel in 1998, with the aim of acting as a permanent body for consultation of firms affected by EU regulations. Such a proliferation of initiatives, however, did not produce the desired outcomes, and ended up creating an overly fragmented framework for EU better regulation and simplification. This led the Commission to issue in 2001 a White Paper on European Governance and the Lisbon Council to mandate the creation of a high-level advisory group (the 'Mandelkern Group') for the drafting of an "action plan for better regulation" and the definition of a new model of impact assessment to be implemented at Community level.

In 2002, the better regulation package introduced a full-fledged *ex ante* impact assessment model, which was subject to a pilot phase for two years, and then became fully operational in 2005. The new impact assessment model came with guidelines (then revised and sharpened in 2005, 2009 and 2015), which included some information on how to measure costs. However, such methodological guidance was considered to be insufficient to really trigger full consistency in the assessment and quantification of regulatory costs across Commission DGs. At the same time, significant steps were made in the 2002 better regulation package with the adoption of the Action plan "Simplifying and improving the regulatory environment"⁹; and later with the 2005 Communication on "Implementing the Community Lisbon programme: A strategy for the simplification of the regulatory environment"¹⁰. In order to implement its strategy the Commission established a rolling programme of simplification based on a sectoral assessment¹¹. Assessment would reportedly consist of an analysis of the administrative and other benefits and costs of the legislation in question, with an initial focus on automotive, construction and waste and later an expansion into other industry sectors such as

⁹ Communication from the Commission of 5 June 2002 -- Action plan "Simplifying and improving the regulatory environment" [COM(2002) 278 final - Not published in the Official Journal].

¹⁰ Communication of the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 25 October 2005 "Implementing the Community Lisbon programme: A strategy for the simplification of the regulatory environment" [COM(2005) 535 final -- Not published in the Official Journal]. See also Communication from the Commission of 14 November 2006 "Commission working document -- First progress report on the strategy for the simplification of the regulatory environment" [COM(2006) 690 final - Not published in the Official Journal].

¹¹ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions of 11 February 2003 "Updating and simplifying the Community acquis" [COM(2003) 71 final - Not published in the Official Journal].

pharmaceuticals, mechanical engineering, information and communication technologies (ICT), and energy-intensive sectors to eventually focus on services.

In the following years the European Commission has gradually shifted towards a more concrete strategy aimed at measuring and reducing administrative burdens generated by the EU *acquis*. Since February 2007 a pan-European strategy to reduce by 25% the administrative burdens generated by EU legislation was launched, and led to a number of important reduction measures that, as reported by the European Commission, have achieved the set target of reducing administrative burdens by at least one fourth, and even went beyond to an estimated 27% reduction in the priorities areas selected (a total of 42 Directives from thirteen priority areas)¹². In order to keep the momentum in this specific area of intervention, a High Level Group of experts on Administrative Burdens was set up as an advisory body to the Commission: with the support of this Group, the initiatives proposed by the Commission and adopted by the co-legislator reportedly led to more than €33.4 billion of savings per year for business, which include €18.8 billion in savings on invoicing and €6.6 billion on annual accounting requirements¹³. This result, however, did not take into account the possible changes in administrative burdens generated by newly adopted rules over the same period, and as such could not be considered as a “net” result. Thanks to the work of the High Level Group, the Commission now renewed its intention to apply the “think small first” principle (which originates in the 2008 EU Small Business Act), considering the impact of legislation on small and medium-sized enterprises (SMEs) whenever possible and considering SME exemptions and lighter regimes for legislative requirements whenever appropriate.

In 2013, the Commission also made use of a dedicated perception survey by asking SMEs to indicate the most burdensome pieces of EU legislation. In October 2013, the Commission explained that it had already taken action on 6 of the top ten most burdensome legislations for SMEs to achieve simplification in the fields of data protection, posting of workers, consumer product safety, public procurement, professional qualifications and recording equipment (tachograph) in road transport¹⁴.

1.2.2 *REFITs and Cumulative Cost Assessments*

The various developments observed in the past decade of better (or “smart”) regulation in the European Commission culminated, at the end of 2012, in a new Communication on “regulatory fitness”, which sets the stage for radical developments in the set of European Commission policies for the quality of legislative proposals. The communication announced the launch of a new Regulatory Fitness and Performance Programme (REFIT) to systematically identify and transparently carry out initiatives that will result in significant regulatory cost reduction and

¹² See information on the administrative burdens reduction programme at http://ec.europa.eu/smart-regulation/refit/admin_burden/high_level_group_en.htm.

¹³ [http://europa.eu/rapid/press-release MEMO-14-574_en.htm](http://europa.eu/rapid/press-release_MEMO-14-574_en.htm).

¹⁴ See http://ec.europa.eu/europe2020/pdf/top10_en.pdf.

simplification; a follow-up to the Action Programme for Reducing Administrative Burden (so-called “ABRplus”) to ensure that the claimed success in the Administrative Burden Action Programme to cut red tape by 25% would eventually bring benefits to businesses and SMEs. The Communication was accompanied by two Staff Working Documents: “Review of the Commission Consultation Policy” and a report on the “Action Programme for Reducing Administrative Burden”¹⁵. The real initial novelty of REFIT was the launch of a set of comprehensive “fitness checks” in key domains of EU policy, which began in 2014, and which led to a more general re-assessment of the potential for reform, simplification and improvement of the regulatory framework in each of those policy domains.

In the past few years, REFIT has become an increasingly prominent pillar of the EU better regulation agenda. Since 2012, the Commission has reportedly identified more than 200 actions to simplify and improve the regulatory environment within REFIT. Initiatives adopted include electronic VAT Invoicing (potentially saving businesses €18 billion a year); simplification of Accounting/Financial reporting (benefitting potentially up to 5 million micro-companies, for total savings of about €6.3 billion); the simplification of REACH; the adoption of the unitary patent; and more. However, one of the problems emerged so far is the absence of a clear methodology backing the REFIT exercise. Most often, the European Commission relies almost exclusively on stakeholder consultation to identify the need for simplification. This, especially whenever consultation documents do not include well-targeted questions, might not always lead to concrete, predictable, comparable findings and actionable insights to reduce regulatory costs. In this respect, the new commitments expressed in 2016 in both the Inter-Institutional Agreement on Better Lawmaking and in the Conclusions of the Dutch Presidency (see below, Section 1.2.3) appear as the natural follow up to this emerging framework.

However, the REFIT seems to have in some cases exacerbated, rather than reduced, the distancing between the approaches to better regulation adopted by different DGs of the European Commission. For example, in welcoming the idea of fitness checks, DG ENTR (now DG GROW) decided to launch in early 2013 a series of “fitness checks” in economic sectors, rather than policy domains, and ended up selecting the steel and aluminium sectors as the first candidates for a fitness check. However, these initiatives by DG ENTR differed from fitness checks as they were only aimed at measuring the cost that EU legislation imposed on market players in these fields: accordingly, after a discussion with the SecGen, the term “fitness check” was removed, and the studies were more correctly termed “cumulative cost assessments”¹⁶. Following a relatively straightforward method, based on the collection of empirical data from businesses, even at the individual plant level, the Cumulative Cost Assessments so far have reached increasing degrees of accuracy in sectors such as steel, aluminium, furniture,

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See

http://ec.europa.eu/smart-regulation/better_regulation/documents/document_travail_service_part1_en.pdf and http://ec.europa.eu/smart-regulation/better_regulation/documents/document_travail_service_part2_en.pdf

¹⁶ See e.g. <http://www.ceps.eu/publications/assessment-cumulative-cost-impact-steel-industry>

chemicals, and now glass and ceramics¹⁷. These studies already select areas that are considered by industry players as particularly burdensome: for example, the CCA study on Aluminium estimated the cumulative costs generated by the following areas of legislation on the European aluminium industry: i) general policies; ii) the commodity markets regulation; iii) legislation related to climate change; iv) competition policy; v) energy policy; vi) environmental legislation; vii) trade policy; viii) product regulation and life-cycle assessment (LCA). These studies then present estimated cumulative costs in terms of Euros per unit of output, and compare regulatory costs also with key performance indicators, such as price-cost margin and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA).

1.2.3 The 2015 Better Regulation package

In May 2015, the European Commission adopted a new Better Regulation Package, which contained a number of interesting new measures for the strengthening of the EU management of the regulatory stock. In particular:

- *The Commission launched a new platform termed “Lighten the load – have your say”, which constitutes an open channel for anyone willing to provide views on aspects of EU legislation that they find irritating, burdensome or worthy of improvement. Such platform seems indeed more addressed at companies wishing to signal burdensome pieces of legislation, in line with a consolidated practice at the EU level. But there is no restriction on the possibility that citizens voice their concerns on the need to improve, for example, the design or the enforcement of environmental legislation.*
- *The Communication “better regulation for better results” also led to the creation of a REFIT platform as explored in more detail earlier in this chapter. Chaired by the First Vice President of the Commission, which involves high level experts from business and civil society stakeholders as well as all 28 Member States appointed through an “open and transparent process”. The platform meets regularly and hear presentations and proposals by all members.*
- *The new better regulation package also came with a new set of integrated better regulation guidelines, including a toolbox that provides extensive guidance on the quantification of costs and benefits¹⁸.*

Recently, the European Commission also published a Staff Working Document titled “Better Regulation for Innovation-Driven Investment”, which anticipated the launch of a new instrument called “Innovation deal”. Despite its name, which seems to look at innovation rather than simplification, as a matter of fact the Innovation deal is much closer to a simplification

¹⁷ See <https://ec.europa.eu/growth/tools-databases/eip-raw-materials/en/community/document/steel-industry-assessment-cumulative-cost-impact-steel-industry-executive-summary>; http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=7124&lang=en; <http://ec.europa.eu/DocsRoom/documents/17784/attachments/1/translations/en/renditions/pdf>.

¹⁸ http://ec.europa.eu/smart-regulation/guidelines/toc_tool_en.htm

instrument as it aims at creating a fast-track channel for “quick fixes” in EU and national legislation, through clarification and interpretation of legislation, rather than through changes in the text of the law¹⁹. Innovation deals will in principle address regulatory uncertainties identified by innovators, which can hinder innovation within the existing legal framework. In cases where a regulatory obstacle can only be addressed at EU level, the European Commission could help national, regional or local authorities to identify and make use of existing flexibility in the EU legislative framework or to implement specific legal provisions appropriately by providing clarification. In this way, potential barriers to innovation can be addressed, whilst fully respecting EU law, without any derogation from the existing regulatory framework, unless specifically foreseen in the latter instruments. The involvement of all levels of government and administration would be ensured.

All these new initiatives have important consequences for the inclusion of simplification measures in the Commission Annual Work Programme. For example, the 2017 European Commission Work Programme contains 18 new REFIT initiatives. These initiatives are highlighted in the work programme and also included in a specific REFIT Scoreboard, which links them to the Commission’s ten priorities. For 2017 the REFIT Scoreboard shows the state of play on 231 initiatives for simplifying and reducing administrative burdens in existing legislation. The Commission also published detailed information on the first 22 opinions expressed by the newly created REFIT platform, and explained the way in which the Commission intends to follow up.

1.3 Reducing regulatory costs: the experience in Member States

The international experience on regulatory cost reduction programmes has blossomed over the past two decades, with several countries and international organizations now looking at ways to “cut red tape” and reduce administrative burdens; and other countries already looking at ways to address more comprehensive notions of costs, such as compliance costs for businesses, or direct regulatory costs covering also citizens, and public administrations. In the latest Regulatory Policy Survey, dated November 2015, the OECD reports 21 countries with experience in administrative burdens reduction programmes (plus the European Commission). These include several European countries, along with better regulation pioneers and leaders such as Australia and Canada. Over the past few years, a limited number of Member States have moved from the measurement of administrative burdens to the assessment of compliance costs, which (as observed above in Section 1 of this Study) are a broader category of regulatory costs (even if still a subset of total direct costs of regulation). These include the Netherlands and Germany, and also to some extent Denmark’s Business Forum for Simplification and some of the UK’s initiatives such as the Red Tape Challenge-; Focus on Enforcement and the more recent Cutting Red Tape Reviews, that focus on specific sectors.

¹⁹ https://ec.europa.eu/research/innovation-union/pdf/innovrefit_staff_working_document.pdf

The experience of EU Member States is accordingly very rich, and diverse. Below, basic information on the state of advancement of regulatory cost reduction initiatives is provided for a number of EU countries. This information should not be taken as exhaustive of all national initiatives, as a full investigation on existing national programmes would have fallen outside the scope of this study. The information was largely collected through desk research; a limited number of interviews and direct exchanges (for ten countries); and by key sources such as the ongoing study conducted by Tilburg University for the European Court of Auditors, which adopts a broader focus on ex poste evaluation, and will be an input to the upcoming ECA report on evaluation in the European Commission.

In **Austria**, a programme to reduce administrative burdens was launched already in 2006. The following year administrative burdens were estimated at 4.3 billion Euros (1.6% of GNP). A 25% reduction target for administrative burdens (around one billion Euros) was set and achieved by 2012. Measures such as the Business Service Portal and e-invoicing were major simplifications. Another plan was launched, based on surveys and interviews, in 2009 and led to the identification of the 100 most burdensome activities for citizens; this then led to 140 reduction measures, aimed at reducing burdens by at least seven million hours (out of a total of 32.3 million hours generated by the 100 most burdensome pieces of legislation): eventually the government announced in 2014 a reduction of 7.4 million hours, which slightly exceeded the target. In 2017, the government announced a two-year programme called the ‘for Austria’ that contains a further set of measures to reduce administrative burdens. This should include i.e. a stock-flow linkage rule in the form of a “one-in-two-out”²⁰.

In **Belgium** efforts to simplify the legislative environment and reduce administrative burdens started very early, at least 25 years ago. Initiatives such as the *Auditform* and the *Kafka* portal (1999) were pioneers in the field of administrative burden reduction. A Measuring Office operates since 2007 within the Administrative Simplification Agency (ASA, itself created in 1998), with the mandate to capture the changes in administrative burdens caused by the adoption of new or changed regulations in selected areas. A publicly available database includes the main measures of the administrative burden for companies and the self-employed in Belgium from the biennial surveys conducted by the Federal Planning Bureau (FPB) since 2000: the database also includes a qualitative part, which allows the evolution in the perception of the quality of regulation and of contacts with the administration to be followed. The database, limited to businesses (companies and self-employed), is conducted every two years using the same methodology and includes three regulatory domains for companies - employment, taxation and the environment - and two regulatory domains for the self-employed - taxation and the environment. Despite all these efforts, however, both the OECD (2015) and the European Commission (in its country specific recommendations for Belgium,

²⁰ See Biegelbauer (2017), in the forthcoming TILEC report for the European Court of Auditors.

May 2016) argued that “the business climate is hampered by administrative and regulatory burdens, which inhibit the creation and expansion of companies”²¹.

In **Bulgaria**, two consecutive plans for the reduction of administrative burdens have been completed between 2009 and 2014, and the third is still ongoing (2015-2017). All these plans focus on administrative burdens and on businesses only, and mostly covered purely national legislation, rather than transposition measures of EU legislation. The current plan aims at a reduction of administrative burdens by 30% through 130 measures, which would translate into savings of 144.5 million Lev: the government reported that it is on target to achieve this goal by the end of 2017).

Similarly, in **Croatia** a plan to reduce administrative burdens for businesses was launched in January 2017, as part of the National Reform Program communicated to the European Commission as part of the European Semester. The goal is to achieve a reduction of 30% by the end of the year, through 104 policy measures aiming at a net gain of 1.5 billion Croatian Kuna.

In **Cyprus**, there have several, partly successful attempt to measure administrative burdens for businesses, and at the end of 2011 the government presented the results of a project on the reduction of the administrative burden, which lasted from November 2009 to the beginning of 2011 and formed part of the Better Regulation initiative. A manual for the mapping and reduction of administrative burdens, entirely inspired by the SCM, was published by the government in 2011. The goal was to achieve a 20% reduction of administrative burdens on businesses by the end of 2012: the project included a mapping of 5 500 different legal obligations imposed on businesses, the selection of 8 areas of priority and the measurement of costs generated by such obligations. The 30 proposals that emerged from the final report were almost entirely implemented by June 2013, reaching a total of about 19% reduction of administrative burdens. Another action plan on better regulation was then approved by government in October 2015, and was accompanied by selected, sectoral initiatives to reduce burdens in specific sectors. For example, a 25% reduction target was introduced in the tourism sector (study published in December 2015); and dedicated inquiries have been launched in the construction permits sector (started in September 2016), in the Social Insurance Service administration, in the Civil Registry and Migration Department and in the simplification of environmental permits (started in January 2017).

In the **Czech Republic**, a “Remeasurement of the administrative burden for entrepreneurs” (the Remeasurement Project) was undertaken in 2012, with the help of an external consultancy which performed the independent research on 16 selected administrative tasks and identified the irritating obligations: the exercise led to a total measure of administrative burdens (65.3 billion CZK/year), resulting from 104 legal regulations issued by selected ministries, which imposed 1,338 reporting obligations on entrepreneurs²². 53 measures from 12 areas were

²¹ http://ec.europa.eu/europe2020/pdf/csr2016/csr2016_belgium_en.pdf

²² A comparison of the data showed a reduction in the administrative burden for entrepreneurs of 24.4% compared to 2005 (in 2013 prices).

suggested for reduction of the administrative burden for entrepreneurs. In 2014 a new Expert Group was established with the aim to reduce the burden on entrepreneurs, which informs the public administration about irritating obligations for business. A new goal has now been set to repeal 60 measures by 2015. Another measurement of the administrative burden for entrepreneurs was initiated in 2016²³. The process is overseen by a dedicated body, the Regulatory Impact Assessment Board, established as part of the Government's Legislative Council in 2011, and composed of independent experts. RIAB provides statements to RIA reports regarding their form, adherence to the RIA methodology and overall reasoning.

In **Denmark**, a systematic reduction of administrative burdens for business using the SCM was carried out between 2004²⁴ and 2010. This activity implied extensive use of the Standard Cost Model and led to a large number of proposals for simplifications, which ultimately reduced burdens for businesses by a total of 24.6%. In 2012, a Business Forum for Simplification was established, with the goal of singling out suggestions for further simplification of legislation. So far the Danish Government has agreed to comply with 251 suggestions (fully or partly). Moreover, thematic reviews of the following areas have been carried out: Reuse of data, employment of foreigners, implementation of EU legislation, digitalisation, subnational implementation and processing times, working environment / health & safety, statistics, Denmark as an industrial nation, accounting and taxation. In these areas 60 proposed simplification measures have been identified and are being pursued²⁵. The Government has now set a target of reducing burdens by 2 billion DKK by 2020 compared to 2015, and this requires new burdens to be compensated through reductions elsewhere.

Estonia carried out a Mapping the Evaluation Need of Administrative Burdens and a subsequent Evaluation of Administrative Burdens since 2009. The measurement was then carried out in four areas: economic administrative law, environmental law, construction and planning law, social law. Since 2015, the reduction of administrative burdens has been considered as part of the 'Capacity Reduction Plan' issued by the government in December 2015, which aims at slowing down the production of legislation and reducing bureaucracy. This plan is particularly focused on the *ex ante* assessment of new legislation, but includes as part of its goals the need to reduce administrative burdens for citizens and businesses.

Finland has carried out numerous studies on administrative burdens for businesses in the period 2008-2012²⁶. The present government (since June 2015) started a new programme to reduce and simplify regulation. Under the plan, Finnish ministries are supposed to come up with lists of legislation to be amended or repealed in 2015, to establish indicators for

²³ <http://www.mpo.cz/dokument142910.html>

²⁴ http://erhvervsstyrelsen.dk/file/239619/redegorelse_erhvervslivet_reguleringen_20092010_juni2011.pdf

²⁵ <http://enklereregler.dk/temaer>

²⁶

https://www.tem.fi/en/enterprises/reduction_of_the_administrative_burden_on_businesses/initial_level_of_administrative_burden_on_businesses/studies_of_the_administrative_costs_and_administrative_burden_on_businesses

deregulation in 2016 and to propose legislative amendments in 2016-2017. Specific plans are also formulated to reduce burdens in specific areas, such as simplified permits and compliant procedures for companies. There is also an experiment being prepared for “one in, one out” policy, which will initially be carried out in the Ministry of Agriculture and Forestry and in the Ministry of Economic Affairs and Employment. The Prime minister’s office has also launched a two-year study of regulatory burden. In terms of governance, an independent Council of Regulatory Impact Analysis was established at the Prime Minister's Office in December 2015. The Council is responsible for issuing statements on government proposals and on their regulatory impact assessments. It aims at improving the quality of bill drafting and, in particular, the impact assessment of government proposals. It also aims to develop the overall bill drafting process including the scheduling and planning of government proposals and bill drafting. In April 2016, the Government appointed the Council for its first term of office, running from 15 April 2016 to 14 April 2019.

In **France**, after a first application of the Standard Cost Model in 2004, the government decided to rely on a simpler method to continue monitoring the evolution of administrative burdens in France²⁷. In 2013, the government introduced a “simplification movement” that involved the creation of a Business Simplification Council (January 2014) and the appointment of a Minister of State for State Reform and Simplification attached to the Prime Minister (June 2014). A first package of 124 business simplification measures was announced in July 2013 and 50 new business simplification measures have been announced every six months since April 2014. Measures include the “ask only once” programme designed to reduce the provision of redundant information requested from businesses and the “silence means consent” principle for a first batch of procedures. The government has adopted in 2015 a “one-in, one-out” approach to regulation.

Accordingly, it developed a simpler, less systematic measurement method based on user surveys. These surveys are based on life events which generate administrative procedures (e.g. birth of a child, setting up a business) and must make it possible to identify the most complicated, frequent and/or irritating administrative formalities for different categories of user (members of the public, firms, associations). The approach therefore changes from one that is basically top down to one that is bottom up, and the emphasis has squarely been placed on “listening to users”. For each of these life events, the Directorate-General for the Modernisation of the State (DGME) analysed the procedures users had to follow and, using the

²⁷ The Oscar database was developed in order to take account of the administrative burden of new regulations, which implies a “net” target. As such it is interesting for the purposes of this project, even if it is not used in support of a comprehensive baseline measurement of regulatory burdens or costs. Oscar uses reference data collected from DGAFP (*Direction générale de l’administration et de la fonction publique*), the INSEE statistics office and the Budget Directorate on the hourly costs of civil servants and the cost of company employees for each socio-professional category and sector of activity. Furthermore, the database resulting from the work of the MRCA (Measure to reduce the Administrative Burden) provides preliminary information on the default values in Oscar for the “initial deployment” phase and the additional learning cost and indicates reference values for the recurrent application phase to the user.

findings of sample satisfaction surveys, identified points along the way where procedures could be improved. Since October 2008, the DGME conducted studies, working closely with a specialised institute, to gain an understanding of what users expected (users were divided up into four target groups: members of the public, businesses, subnational levels and associations). The surveys were aimed at identifying both problems encountered in the course of administrative procedures and users' expectations as regards the procedures to be simplified (how easy/complicated the user perceived them to be for a given life event). After the surveys had been completed and their findings analysed, the DGME established lines of approach to simplification in collaboration with different ministries and identified 15 areas of work or measures to be pursued by the ministries. These 15 work areas or measures constitute the simplification plan announced in October 2009. The DGME identified a lead ministry (or inter-ministerial body as the case may be) and prospective head of project for each area of work. The monitoring of progress in each work area is part of the overall process of monitoring the RGPP programme. Indeed, the DGME published an initial report on the progress made with each of the 15 measures in February 2010. In the past three years, the government has promoted even further its simplification agenda. 450 new simplification measures have already been tabled since the announcement in March 2013 of a "simplification shock" by the President of the Republic. The Government then introduced 92 new measures on 1st June 2015. These are aimed at facilitating everyday life for French people in various sectors: justice, social, administration, economy, business and industry. Of these measures, 40 are designed to simplify everyday life and procedures for individuals.

Germany has a strategic approach on regulatory cost reduction since 2006. Between 2006 and 2011 it successfully implemented a reduction target of 25% regarding administrative burdens for businesses. With the aid of the Federal Statistical Office, the Federal Government conducted a "baseline measurement" of the costs ensuing from statutory information obligations for businesses, so as to provide a starting point for verifiable cost reductions. The exercise was largely based on the Standard Cost Model, and led to an overall estimated burden of around €49 billion a year due to information obligations under Federal law. The intention was to reduce these costs noticeably – by 25% (net target), i.e. by roughly € 12 billion. The National Regulatory Control Council (NKR) was introduced to provide independent oversight regarding the respective numbers and figures in the Impact Assessments and to support the Government's efforts to achieve the target. The net reduction target was subsequently achieved in 2013, and since then a Bureaucracy Cost Index has been maintained, which keeps track of new additions and reduction in regulatory costs. The German experience has shown that bureaucracy costs ensuing from information obligations account for only a small part of the follow-up costs incurred by Federal regulations, and this led to an expansion of the scope of the reduction efforts to cover also compliance costs. The "Bureaucracy Reduction and Better Regulation" programme has thus been significantly expanded, as has been the mandate of the NKR. Important new features since then include the launch of a formal "one in, one out" rule

in 2015 (limited to costs for businesses)²⁸. All measures are based on a common methodology (regarding administrative burdens: SCM, regarding compliance costs: a common methodology, which was developed based on the SCM)²⁹. Recently, the German government has also experimented with “life events” surveys. So far the cost reduction strategy refers only to ex ante assessments. However, in the end, the strategic approach of ex post evaluation should lead to further cost reductions as well (when legislation is reviewed and revised after the ex post evaluation procedure). In Germany a key role is attributed to the NKR, an independent body in charge of regulatory scrutiny and oversight. Under the Joint Rules of Procedure of the Federal Ministries, the NKR is incorporated into the legislative process in the same way as a ministry. Draft regulations must be submitted to the NKR at the beginning of the coordination process within the Federal Government and in practice, ministries often involve the NKR at an earlier date. The NKR prepares a draft resolution for each regulatory initiative and sends its comments to the lead ministry. The Bundestag and Bundesrat always receive the government drafts together with the NKR’s opinions and the NKR reviews draft regulations from the Bundesrat when the Bundesrat refers these to the NKR. It comments on draft legislation from the floor of the Bundestag only at the request of the parliamentary group or members introducing the bill.

In **Greece**, a project to reduce administrative burdens was launched in cooperation with the OECD at the end of 2012. The most burdensome areas (13 economic sectors) were identified through desk research, and the search was later narrowed down to the most burdensome obligations, accounting for approximately 20% of all burdens. The SCM was used to measure the burdens generated by those laws, Measurement results were presented in 2014, showing a total 3.28 billion Euros generated by the selected obligations. These were followed by 87 recommendations, which are expected to lead to a 25% reduction of administrative burdens.

In **Hungary**, the Cutting Red Tape Programme – as a coordinated set of measures of the Government aimed to reduce the administrative burdens of entrepreneurs – started in December 2011. An ex post assessment of this programme was completed in 2013, and led the Government to decide that further actions of burden reduction were required. Meanwhile, the ‘Public Administration and Public Service Development Strategy’ (2014-2020) had led to renewed commitment in this direction, but without a specific methodology backing the reduction of administrative burdens. An inter-ministerial simplification committee has been set up to oversee the process.

In **Ireland**, a programme for the reduction of administrative burden was run between 2008 and 2012. A prioritised approach was adopted, identifying the 200 domestic regulations likely to be causing most burden to business, based on (a) population of businesses affected; (b)

²⁸ There are some exceptions: (1) burdens resulting from a one-to-one implementation of EU legislation, international agreements or from rulings by the Federal Constitutional Court and Court of Justice of the EU, (2) measures that serve to combat substantial security threats and (3) measures that will have an effect for a limited period (no more than a year).

²⁹ See also Renda et al. al. 2013, for a description.

complexity of the obligation; (c) business stakeholder inputs. Each individual Department was given responsibility for its own measurement and reduction; thus, also the publication of a report setting this out. The Department of Jobs, Enterprise & Innovation published the reductions achieved within its remit on its website³⁰. Eventually, burdens were reduced by a total of 20.4% across all Departments. Moreover, the Central Statistics Office of Ireland conducts surveys measuring red tape for Irish enterprises, called 'Response Burden Barometer'³¹. The work of the independent National Competitiveness Council must also be reported, as it focuses mostly on improving the business environment in Ireland (Renda and Dougherty 2017).

In **Italy**, a comprehensive application of the Standard Cost Model was carried out since 2008, first focusing on specific areas such as fire prevention, environmental legislation and the construction permits sector. The measurement activities highlighted the high costs, the presence of duplications and the absence of proportionality. The introduction of a single environmental authorization for SMEs was suggested among other measures. Following the measurement of the administrative burdens, the Italian government approved a regulation for the simplification of administrative requirements related to the wastewater discharges authorization and the noise impact assessment (D.P.R. n. 227/2011); also, D.P.R. n. 59/2013 introduced the Single Environmental Authorization. Recent evaluations have been carried out also in specific sectors, such as electronic communications³².

Latvia had a plan to reduce administrative burdens between 2009 and 2015. Even if the plan came with no precise methodology, it was at least partly successful in promoting reform inside the administration.

The Netherlands were the pioneer in launching an administrative burdens reduction programme, following early pilot programmes such as MISTRAL. The country has had a reduction target since 1994³³. During the first years, the target was aimed at reducing administrative burdens for businesses only. Since 2000 there is a common methodology, external scrutiny and a network within all departments. Between 2003 and 2007, as will be described in more detail in the next Section below, the Dutch government launched a programme for the reduction of administrative burdens for Business. The government promised the parliament to reduce administrative burdens by 25% in the period 2003-2007; as part of this project, not all legislation was reviewed, but it still qualifies as a 'major review'. In 2007 the approach introduced the need for perceivable effects and better services for citizens/businesses. A covenant was for instance agreed with municipalities to lower the burden with 25% for citizens. Also, the inspections established a reduction target (which no longer exists though). The Cabinet developed a better regulation strategy built around six

³⁰ , here: <http://www.djei.ie/commerce/businessregulation/about.htm>

³¹ <http://www.cso.ie/en/methods/multisectoral/responseburdenbarometer/>

³² <http://www.osservatorioair.it/wp-content/uploads/2016/02/Allegato-A-23-12-2015.pdf>

³³ In the years before, there was also a project to reduce the admin burdens – but there was no target.

cornerstones: less regulatory burden by improving the quality of legislation (i.e. internet consultation, role of Actal); a structural net reduction of 2.5 billion Euros for businesses, professionals and citizens by 2017 compared to 2012 levels; a perceivable reduction with a sector-specific approach; smarter and more effective enforcement; less regulatory burden through cooperation with municipalities and the EU level; and better (digital) services. Importantly, the current net reduction target for the Netherlands goes beyond that of many other Member States in a number of respects: it covers both administrative burdens, substantive compliance costs (which according to Dutch definition include information obligations to third parties) and inspection/enforcement costs; it covers both primary and secondary legislation; it envisages both a general plan and sector-specific “deep dives”³⁴; it relies on a well-established independent oversight body; it covers administrative burden stemming from the implementation of EU directives; and it sometimes also covers amendments presented by Parliament.

In **Lithuania**, annual plans to cut administrative burdens are approved by both the Lithuanian government and the Lithuanian parliament based on a dedicated Law on the Reduction of Administrative Burdens adopted in 2013. The most recent plan (2016-2017) introduced sixty sectoral goals to be achieved within a given timeframe. No specific methodology such as the SCM is officially adopted.

In **Luxembourg**, an inter-ministerial platform for administrative reform and simplification was created in 2014 and executes the administrative simplification agenda of the government. Before 2009, simplification efforts focused solely on businesses, but in the period 2009-2014 the plan was extended to citizens and administrations. The main functions of the platform are the development of an inventory of administrative procedures and the screening of administrative processes for potential improvements for citizens and companies. Citizens, business and civil society associations can submit their ideas for improving administrative services on the interactive website *vosidees.lu*.

Malta has launched a programme to reduce administrative burdens in 2006, and in 2008 the government published a plan to reduce administrative burdens. Four years later a 15.6% reduction in administrative burdens was announced, but the plan has had no follow up since then.

In **Norway**, all governments for at least the last 15 years have had better regulation strategies. From 2011, a concrete regulatory cost reduction strategy was adopted. The current government, in office from October 2013, strengthened this strategy by setting more ambitious goals. A simplification project was initiated by the Ministry of Trade, Industry and Fisheries. The current goal is to reduce the cost of administrative burdens by 25% (15 billion NOK) from the

³⁴ With the sector-specific approach special attention for reduction is given to the following sectors: Logistics, Chemical sector, Agrofood, pharmaceuticals and medical devices, Financial sector, Construction, Care and Cure in the health sector, Recreational sector/tourism, Craft shops, Child care, Metal industry, Volunteers, Police, Judicial system, Education (aimed at professionals), Public transport for people with a handicap.

2011 level before the end of 2017. As of the end of 2016, almost 60 actions had been adopted and 12 billion NOK in reductions had been achieved, implying that the agenda is progressing on schedule. Simpler rules for accounting, tax returns and public procurement are prominent examples of recent simplifications. The Simplification Project uses, in general a simplified standard cost model when evaluating cost reductions. In order to hamper unnecessary burdens from new regulation, a dedicated independent oversight body, the Norwegian Better Regulation Council (NBRC) was set up in December 2015 and became a member of RegWatchEurope the year after. The focus is essentially on businesses and the NBRC is required to consider all relevant costs for business in their assessments; yet so far enforcement costs have not been given much attention.

Poland has launched a burden reduction exercise in 2008, when the government established the general target of reducing administrative burdens for businesses by 25% within 3 years. However, the target has not been achieved (15.95%). In 2010 a baseline measurement was carried out, which identifying administrative burden as reaching 2,9% of GDP. Since then, administrative burdens identified in the analysis have been gradually eliminated: in particular, a Strategy for Innovation and Efficiency of the Economy was established in 2012, which included cost reduction targets – 1% of GDP till 2015 (0,72% achieved) and 1,5% of GDP till 2020. The scope of the reduction of administrative burdens is limited to business-related legislation, but the government is reportedly working on extending the scope to citizens and public administrations. Currently, the government is conducting consultations on the outcome and evaluation of the Better Regulation programme. The proposed future actions will concentrate on three intervention areas: RIA as an effective tool supporting public governance, increase in stakeholders' participation in the legislative process, and the further reduction of regulatory burden for business and citizens. In this respect, Poland recently adopted a national regulatory cost reduction strategy included in the Responsible Development Strategy launched on 14th February 2017. Although no “one in, one out” rule is currently in place, its adoption is currently being studied by the government.

Removing administrative burdens is a part of the Regulatory Reform in Poland, carried out by the Ministry of Economy. There are two major parts of the Regulatory Reform that refer to improving doing business conditions in Poland, the reduction of administrative burdens and simplification of economic law. The major difference between those pillars are that the reduction is based on the calculations delivered by the Standard Cost Model baseline measurements; whereas the simplification is done by screening of the law and removing the most irritating and complicated regulations. In March 2008, Poland set the target of reducing administrative burdens by 25% and by 2010 added a focus on seven chosen areas of economic law: environment, land development plan, economic activity law, social security, hallmarking law, tourist services, and employment law. Today, simplification and burden reduction are mostly relying on dedicate legislative instruments, such as yearly deregulation acts developed by the Ministry of Economy, but no *ad hoc* cost reduction plan or target is in place.

In **Portugal**, since 2006 the Government launched a series of ongoing reforms known as the SIMPLEX programme, with the aim to make everyday life easier for individual citizens and businesses by reducing bureaucratic red tape, cutting costs, and extending the use of information and Communication Technologies to a wide range of public services. The original programme consisted of 757 initiatives, 80 per cent of which have been fully implemented. These initiatives were proposed by civil servants, businesses, professional associations and ordinary citizens, and consequently they address a wide range of issues across the board in terms of both central and local government. In general the aims of the programme are to simplify laws and procedures; maximise the number of procedures that can be done online; reduce the amount of certification; consolidate existing legal rules; and facilitate access to public services. Since then, the emphasis on administrative burdens has led to new initiatives. In line with the Action Programme for Reducing Administrative Burdens in the EU, Portugal launched a strategy in 2008 to reduce 25% of administrative burdens for businesses until 2012 (RCM 196/2008). A comprehensive inventory of burdens was achieved in 2011, and was later coupled with a national survey with over 150 responses, 9 interviews with commerce & services small business owners, nine round-table and interviews with companies and representatives from 13 industrial associations. Further interviews later covered specific sectors such as agriculture, construction and tourism. The inventory is now being expanded to citizens via public consultation (along the ‘red tape challenge’ model adopted in the UK, see below). Parliament Resolution 31/2014, in introducing *Simplificar*, a comprehensive programme of administrative modernisation and simplification, also introduced a “one-in, one-out” principle as part of the system for administrative burden control. The project is inviting citizens and enterprises to point out excessive bureaucracy and suggest remedies³⁵. *Simplificar* follows three main principles: (i) Ask only once; (ii) digital by default; and (iii) One-In, One-Out, where every euro of costs created by new legislation or rules, must be compensated by the reduction of one Euro in other costs generated by the same or other pieces of legislation. This latter rule applies to regulations created within Government and Central Administration (Parliament and Local Governments have constitutional autonomy). An inventory of the main simplification measures adopted in Portugal in the past decade is available on a website run by the Ministry of Justice, called *Portugal Simplifica*³⁶. Finally, ten years after the SIMPLEX programme, a new SIMPLEX+ Programme was launched and is now under implementation, with 255 projects to deal with both administrative and legislative simplification. Within the new programme, a Technical Unit for Regulatory Impact Assessment (UTAIL) has been recently created (RCM 44/2017) within the Legal Centre of the Presidency of the Council of Ministers (CEJUR) to implement a specific project named “How much does it cost?” (focused on primary legislation). UTAIL is responsible for the impact assessment of proposed new legislative acts: notably, since the beginning of 2017 UTAIL is assessing, besides the administrative burdens that may result from legislative acts proposals, also other compliance costs for firms: direct costs (with fees

³⁵ The website also offers *WikiLegis*, a tool (“borrowed” from the Finnish experience) that any Internet user can rely upon to propose amendments for existing legislation, or suggest new legislation.

³⁶ <http://www.cuttingredtape.mj.pt/pt/asp/default.asp>

and other public charges); specific costs with equipment, implementation, external services, material and other that may be directed related to the obligation that is being imposed; and nonspecific costs, as overheads.

Romania has had a better regulation strategy since 2008, and the current strategy runs until 2020. The current strategy foresees the creation of an inventory of administrative burdens, but implementation is still ongoing.

Slovakia has launched a burden reduction programme in three main phases. The first phase in 2009 focused on 12 policy areas: commercial law, civil law, accounting, bankruptcy and restructuring, market regulation, taxes, duties and fees, regulation of investment incentives, other financial regulations, labour and employment, levies, environment, intellectual property. 54 recommendations were identified to change the legislation. Recommendations focused on electronic reporting and communication with authorities, decreasing the frequency of reporting, keeping of electronic evidence, produce manuals etc. The second phase (2010-2012) mostly dealt with Occupational Safety and Health Protection Act and its implementing regulations. 165 information obligations (from 12 law) were measured and 18 recommendations were defined. Recommendations focused of digitisation of services, exceptions to the obligations, simplifications of forms, analysing the needs of specific obligations etc. An economy-wide review of administrative burdens was later launched in 2013-2014. 282 legal instruments were deeply analysed, 4566 information obligations were identified, 2,7 bill. EUR calculated as total administrative costs for business of which 10% is the estimated administrative burden³⁷. In March 2015 the Ministry of Economic Affairs published a second action plan to reduce administrative burdens, with 66 new measures related to seven ministries and an estimated reduction goal of about 55 million Euro.

In **Slovenia** since 2009 a programme for the reduction of administrative burdens was carried out, but the five year reduction target was not fully met. 3,529 regulations were reviewed and EUR 1.5 billion administrative burdens were assessed on the basis of the common methodology for measuring administrative costs. The analyses showed that greater emphasis regarding the burden reduction will have to be put on the area of environment and spatial planning, labour legislation, cohesion (drawing on European funds), finance (including taxes and excise duties), the economy (including status related legal affairs, and business or financial reports), and taxes and other duties. In October 2013 The Government of the Republic of Slovenia adopted a single document to ensure better regulatory and business environment and increase competitiveness which comprises 245 concrete measures in 16 different fields in line with ministries that are responsible for the implementation, follows the commitments taken by the Government of the Republic of Slovenia in the national reform programme from 2013 to 2015 and constitutes the basis for long-term strategies (such as Slovenia's Development Strategy, Europe 2020 strategy) and the implementation of programmes planned by the Government and the competent

³⁷ <http://www.mhsr.sk/informacia-o-vysledkoch-merania-administrativnych-nakladov-podnikania/144171s>

Ministries³⁸. In April 2015, the government launched a new Public Administration Development Strategy 2015–2020, which contains a further reduction target.

In **Spain**, since 2007, a comprehensive Action Plan aimed at revitalising business and boosting competitiveness. The initial objective was to reduce administrative burdens on business by 30% by 2012, from a baseline of May 2007, a more ambitious target than the one set by the European Commission. Building on this achievement and on the Royal Decree on RIA (1083/2009, 3 July), which established a simplified methodology for administrative burden measurement and reduction, the new report for the modernization of public administration (CORA Report) relaunched the need for administrative burdens reduction. A CORA report proposes a series of reforms to simplify the normative framework for business and facilitate: these include the adoption of a one-in one-out rule.

In **Sweden**, between 2006 and 2012 there was a dedicated strategy with ex post evaluation on administrative burdens for businesses which included a baseline measurement. There was a net reduction target of these costs by 25% within that time frame, the result was a reduction by 7%. However, due to high costs and high workload, the strategy was replaced. Today, there is a general commitment to reduce the cost of regulation. Regarding the ongoing administrative costs for businesses (the SCM with ex ante assessment is used) there is a net target that the administrative costs for businesses should be lower in the year 2020 than in 2012. Other types of costs for businesses (investment, compliance, indirect cost and financial costs such as taxes and fees) are also measured since 2016 but no deadline has been set regarding the reduction of these costs. However, the method is not yet fully complete for all of the categories but they are currently under development. An important role is played by the Swedish Better Regulation Council, an independent government-appointed committee of inquiry that assess the quality of the impact assessments of proposals for new and amended regulations that may have effects on the working conditions of enterprises, their competitiveness or other conditions affecting them. The Council also has to consider whether the Government and administrative agencies under the Government have carried out the statutory impact assessments

The **United Kingdom** certainly has one of the most well-established experiences and traditions in the field of better regulation, which enables it to reach a greater degree of sophistication in the analysis of the costs and benefits of regulation. Over the past few years, emphasis seems to have been placed in particular on the costs to business. After a partly successful experience with the baseline measurement of administrative burdens in 2005–2006, initiatives aimed at monitoring and reducing regulatory costs have proliferated, including the introduction, in 2010, of an independent body, the Regulatory Policy Committee (RPC), to validate the costs and benefits of all new regulatory and de-regulatory proposals. In 2011, a “one in, one out” rule was introduced. Over the 2011–12 period, government departments not only met the target but exceeded 'One-in, One-out', removing around £963 million more in business burdens than

³⁸ <http://www.stopbirokraciji.si/podatkovna-zbirka/> - only in SI language.

they introduced³⁹. Since 2013, the UK has operated a 'One-in, Two-out' regulatory management system. The premise is that for every net £1 in regulatory cost introduced by domestic regulation, departments must find twice the amount of savings. The 'One-in, Two-out' rule required an even stronger performance from departments compared to the previous rule, and has now moved to a 'One-in, Three-out' metric to be achieved by departments in order for them to deliver the business impact target, a reduction in regulatory burden of £10 billion, that was introduced in the last Parliament and reflects the lessons learned in several years of setting and implementing cost reduction strategies⁴⁰. In addition, the "Cutting Red Tape" initiative led to the creation of an online website dedicated to interaction with stakeholders on areas that should be prioritized in this respect. Each review begins with a short evidence-gathering phase, followed by identification of the main issues and the options for delivering improvements and then by the implementation of appropriate reforms. A number of reviews have already been completed in 2015 (House building, Care, Waste, Energy, Agriculture, Mineral Extraction, Anti Money Laundering), and a review of Local Authorities is ongoing. The Cutting Red Tape review of Local Authorities is led by the Cabinet Office, DCLG and (what was) BIS, working together with other government departments and regulators. The underlying aim is to identify and remove unnecessary regulatory barriers to growth and associated costs placed on businesses by local authorities, while ensuring necessary protections are maintained, and also gather evidence of where regulation imposes unnecessary or avoidable burdens and costs on local government⁴¹.

1.4 Summary and comparison of national experiences

Overall, the international experience, and in particular that of EU Member States, suggests that setting and implementing a cost reduction strategy is possible, although its success requires strong political commitment and an adequate governance, methodology and resources. In addition, the main findings of our international comparison include the following:

- Many EU Member States still focus essentially on administrative burdens, although there is a clear tendency towards extending the cost reduction efforts towards broader categories, such as substantive compliance costs or more generally regulatory costs.
- All countries focus on direct costs, mostly for businesses, and only one country (the UK) includes some notion of benefit (in particular, in the form of business revenues) in the implementation of a net reduction mechanism.

³⁹ This figure is based on independent validation by the Regulatory Policy Committee.

⁴⁰ See: <https://www.gov.uk/government/policies/reducing-the-impact-of-regulation-on-business/supporting-pages/operating-a-one-in-two-out-rule-for-business-regulation>

The independent Regulatory Policy Committee publishes its Opinion on all ex ante assessments, including whether it has validated 'One-in, Two-out' measures from departments. <https://www.gov.uk/government/policies/regulatory-policy-committee-opinions-on-impact-assessments>

⁴¹ <https://cutting-red-tape.cabinetoffice.gov.uk/>

- There is a degree of divergence in the terminology and methodology used to measure regulatory costs: for example, the definition of compliance costs in the Netherlands does not coincide with the one used in Germany. On the other hand, the definition of administrative burdens is more standardized (although, for example, third party administrative burdens are not defined in the same way everywhere, and parameters such as overheads, BAU factor, etc. can diverge across countries).
- There seem to be at least four emerging approaches to cost reduction strategies: (i) standard, SCM-based administrative burden reduction; (ii) “life events”-based surveys and reduction strategies; (iii) extension to compliance costs coupled with net reduction targets; and (iv) extension to compliance costs coupled with a “one in, x out” rule.

Even more importantly, for the purposes of this Study, the following main lessons emerge from the experience of some of the more advanced countries in the setting of cost reduction targets.

- Targets can be set politically: there is no need for extensive data collections and/or baseline measurements before the target is set. Many Member States have experimented with baseline measurement in the past, but have then come to realize that focusing on the flow of new regulation is a more cost-effective way to achieve and monitor cost reductions. That said, this political nature does not require that targets be arbitrarily set: the more information is available on the composition and magnitude of the stock of regulatory costs, the more accurate and actionable the target will be.
- Overall targets are more effective than targets that are referred to either specific industry sectors or specific policy areas, regardless of whether the reduction strategy focuses on all legislation, or only specific areas perceived as particularly burdensome. As a matter of fact, targets that are sector-specific may miss important, cross-cutting pieces of legislation and be perceived as unfairly prioritizing certain sectors over others; and targets that are specific for policy areas might not lead to a whole-of-government commitment towards cost reduction (see also below, on behavioural impacts). Moreover, Member States have no experience on setting and implementing net reduction targets related to specific sectors or policy areas: to the contrary, many countries have set targets for the whole stock of regulatory costs (most often, limited to administrative burdens for businesses). This lesson is particularly important, also since both the Inter-Institutional Agreement on Better Lawmaking, and the text of the May 2016 Conclusions of the Competitiveness Council refer to the setting of targets in specific sectors.
- Target-setting can have a significant behavioural impact on the officials in charge of policy assessment and evaluation. Rather than requiring extensive prior data collection, often targets can lead to better data and methodological improvements. Establishing a whole-of-government target can motivate officials to look more carefully for possible cost reductions and provide them with a general obligation to quantify and monitor the costs that regulation generates for stakeholders. The effect is reinforced whenever a stock-flow linkage rule such as “one in, x out” is in place.

2. Setting reduction targets at the EU level: Outline of possible options

As already explained in the introductory section to this Study, the European Commission has already officially committed to take action to reduce regulatory burdens at the sectoral level, within the REFIT programme. Based on experience in Member States as well as on the Commission's own past experience, a number of alternative scenarios can be developed for the future EU strategy. These vary according to a number of variables such as:

- *What (type of target).* The reduction programme could be accompanied by individual net reduction targets for selected policy areas or sectors; or by an overall reduction target to be achieved through reduction programmes in a number of areas and sectors. While the former approach is evoked in the IIABL and in the May 2016 Conclusions of the Competitiveness Council, experience in some of the Member States supports the latter approach as more effective in triggering more quantification and more generally better results in the administration.
- *What (type of cost).* The reduction programme could only look at administrative burdens, or also at broader cost categories, such as substantive compliance costs, or direct regulatory costs (including both compliance and enforcement costs).
- *What (type of stakeholder).* The reduction programme could only look at regulatory costs for businesses, or also at costs for citizens and public administrations. Also, within the businesses category, the programme could prioritize SMEs, or look at all businesses regardless of size.
- *What (policies covered).* The reduction programme could look at the whole EU *acquis*; focus on specific policy areas (regardless of how they are selected, i.e. through the REFIT scoreboard, surveys, or other method); or focus on specific industry sectors.
- *How (with or without a baseline measurement).* The European Commission could decide to repeat the baseline measurement already carried out in 2007, or get started by simply setting a stock-flow linkage rule or a net reduction target for specific sectors, or as a general rule.
- *How (type of reduction mechanism).* The strategy can entail the setting of a net reduction target (e.g. 50 billion Euros in 5 years); the establishment of a stock-flow linkage rule such as "one in, one out" (which, itself, could be implemented in various ways, e.g. for each service, or across government); or both (i.e. there is a stock-flow linkage rule and a commitment to reach a reduction target at the end of the selected period. It could also be set as a gross target. However, the effects for society will then be more limited – and the net effect could even be an increase in burdens.
- *How (selecting priority areas).* The strategy could be implemented by selecting areas through stakeholder surveys (e.g. top ten most burdensome pieces of legislation for SMEs; through consultation (e.g. within the REFIT platform); or through in-house collection of all

available data from past studies, baseline measurements, evaluations and assessments. A combination of these is of course also possible.

- *How (pilot phase v. big bang).* The European Commission could decide to pilot a new methodology (e.g. in REFIT) and then decide on possibly scaling it up to a more comprehensive level; or start with a comprehensive plan that ultimately covers the whole relevant *acquis*.
- *Who (which EU institutions).* The European Commission could implement the cost reduction strategy alone, with its own resources, and on its own proposals (at least when working on ex ante assessment of regulatory costs); alternatively, also the European Parliament and the Council could participate in the exercise, in a way that would guarantee that the final pieces of legislation are considered for the purposes of the cost reduction exercise.
- *Who (EU v. Member States).* The EU institutions could implement the cost reduction strategy alone, or seek the help of Member States in providing data, validating the selection of priority areas, etc. Various levels of cooperation and different degree of involvement of the two sides can of course be contemplated here.

Box 2. What is meant by “sectors”?

The text of the Inter-Institutional Agreement on Better Lawmaking and the May 2016 Conclusions of the Competitiveness Council refer to “sectors” when contemplating the introduction of cost reduction strategies. However, it is not entirely clear whether the word “sector” should be interpreted to refer to policy areas (e.g., public procurement; financial services regulation) or industry sectors (e.g. the steel sector; the banking sector). At the EU level, both approaches can be pursued: in particular, the REFIT strategy typically focuses on policy areas, whereas cumulative cost assessments, and within those sectors focus on those policy areas that are considered most burdensome.

In this Study, the word sector is taken to refer primarily to policy areas, as this seems to in line with the scope of the REFIT strategy, and more in line with the need to capture those horizontal, cross-sectoral regulatory provisions that are perceived as most burdensome by businesses, and in particular SMEs.

2.1 Identification of basic options and sub-options

Against this background, the following (clusters of) options are being considered.

- Option 1. *Measurement and net reduction target on administrative burdens.*** This option requires an initial, comprehensive measurement of the stock of legislation (either the whole relevant *acquis*, or just in some areas). After the measurement, a baseline is established, and a reduction target is set either in percentage terms (e.g. a 25% reduction, as was done in 2007), or in absolute terms (as in the case i.a. of Norway). Under this option, the measurement and the target setting are referred exclusively to administrative burdens, not to broader categories of costs.
- Option 2. *Net reduction target/Stock-flow linkage rule on administrative burdens, without a baseline measurement.*** This option reflects the evolution of administrative burden measurement in a number of countries, which (as explained in the previous section)

have decided to proceed towards monitoring the flow of new administrative burdens without requiring an additional baseline measurement. Under this option, the Commission would decide to either set a nominal reduction target (again, expressed in Euros over a certain period of time, e.g. five year); or give itself a rule for adopting new legislation imposing administrative burdens, such as a “one in, x out rule”; or both (see box 1 below for further discussion).

Option 3. *Measurement and net reduction target/stock-flow linkage rule on direct compliance costs (both administrative burdens and substantive compliance costs).* This option requires an initial, comprehensive measurement of the stock of legislation (either the whole relevant *acquis*, or just in some areas). After the measurement a baseline is established, and a reduction target is set either in percentage terms (e.g. a 25% reduction, as was done in 2007), or in absolute terms (i.e. by specifying the actual amount of the reduction). Under this option, and differently from option 1, the measurement and the target setting cover both administrative burdens and substantive compliance costs.

Option 4. *Net reduction target/stock-flow linkage rule on direct compliance costs (both administrative burdens and substantive compliance costs).* Under this option, the Commission would decide to either set a nominal net reduction target (again, expressed in Euros over a certain period of time, e.g. five year); or give itself a rule for adopting new legislation imposing direct compliance costs (both administrative burdens and substantive compliance costs). The latter can take the form of a “one in, x out rule”. The difference between the two approaches (as explained in more detail in Box 1 below) is that a nominal net reduction target does not force administrations to systematically indicate the rules selected for repeal, to be included in the “x out”. A combination of the two rules, however, is also possible: in that case, the “one in, x out rule” will have to be used in a way that leads to the achievement of the overall reduction target within the given time frame.

As can be clearly observed, these options reflect the existing international experience: as a matter of fact, many EU countries and the European Commission itself have gone through option 1 over the past fifteen years (although in the case of the EU, the target was eventually not measured as “net”, but excluded the impact of the rules introduced during the reduction period); and many of them are currently experimenting with option 2. A number of EU Member States are currently implementing option 4, whereas option 3 is not currently found in any country. For each option, of course, combinations are possible, especially if one consider the possibility of a gradual implementation: for example, the European Commission could start by targeting administrative burdens in those areas where data are available and indicate a high burden on businesses (especially SMEs); at a later stage, after the initial pilot phase, the exercise could be extended to compliance costs. This could imply a move from option 2 to option 4 over time.

Box 3. Net reduction targets and stock-flow linkage rules: preliminary clarifications

As already explained in Section 1 above, there are two main approaches to reduction programs for regulatory costs, independently of the scope of the exercise (i.e. whether it applies to administrative burdens or to broader cost categories): (i) setting a net reduction target; or (ii) introducing a stock-flow linkage rule such as a “one in, x out” rule. In order not to further complicate our initial analytical framework, this section of the Study takes an “agnostic” view of which solution should be picked by the European Commission. This is also due to the fact that the choice of the overall approach (i.e. what we aim at achieving in this section) is not crucially affected by the specific method chosen. Section 3 will go back to the choice of which approach best fits the European Commission’s own needs.

That said, a number of important preliminary clarifications are worth being put forward already at this stage.

First, technically speaking a “one in, x out” rule does not achieve, by itself, any specific reduction target, although it certainly achieves cost reduction whenever x is greater than 1. A reduction target requires either a negative percentage change or a nominal, absolute figure to be achieved within a given timeframe. Accordingly, the only case of equivalence between net reduction targets and stock-flow linkage rules is reached when the former is set at zero (e.g. as currently is the case in Sweden), and the latter is presented as a “one in, one out” rule that requires that every new regulation be offset, in terms of regulatory costs, by the repeal of one (or more) regulations.

Second, even if by themselves insufficient to achieve a net reduction target, stock-flow linkage rules appear to have an advantage compared to overall reduction target, at least according to those that administer them: when they apply government-wide and under a strict supervision, these rules can force the administration to take the commitment more seriously, and even encourage them to engage in more systematic ex post evaluation due to the need to identify potential rules that could later be repealed to allow the introduction of a new, beneficial and less costly rule. For example, in the UK the use of metrics or targets was found to drive a particular behaviour in civil servants: a target or metric to meet, incentivises civil servants to think twice before regulating – e.g. regulation is taken as a last resort. This “behavioural” aspect of target-setting and stock-flow linkage rules is difficult to quantify, but should be considered carefully in the analysis of available options, especially if one believes that a net reduction target at the EU level would entail a change in the attitude towards regulation of the EU officials.

Third, in comparing the two approaches it is important to recall that the distribution of regulatory costs is typically such that the majority of costs are concentrated in a very few regulatory obligations (in Europe often these are related, in case of administrative burdens, to taxation, or accounting). Accordingly, a net reduction target that does not force administrations to always identify measures to repeal is consistent with cases in which the reductions are achieved through the massive simplification of a limited number of very burdensome rules: for example, a country could introduce many new rules that feature moderate increases in regulatory costs, and at the same time achieve a more-than-offsetting cost reduction with the adoption of one or two substantial simplification measures.

Finally, it must also be recalled that the two approaches are not necessarily mutually exclusive, but can be combined as in the case of the UK and also the US (where the rule, however, has not been put to the test yet). It remains to be seen, however, if the combination would prove disproportionate on administrations, which would then be forced to keep track of additions and reductions, identify offsetting rules every time they propose a new one, and ensure they reach the “minus” included in the reduction target.

Given the multitude of variants that must be considered, as described at the beginning of this section, there is a need to consider specific variants or sub-options for each of the options considered. In particular, the following alternatives have been considered in particular for what concerns the “what”, and the “how” dimensions.

- a. ***Overall net target on all (relevant) EU legislation.*** The reduction target is referred to all the EU *acquis*, or at least all the legislation that is considered to impose significant costs on targeted stakeholders. The latter could be only SMEs, all businesses, or also citizens, professionals, civil society organizations and public administrations, depending on the choice made (this point will be addressed later in the study).
- b. ***Sectoral net targets and reduction strategies, focused on areas identified in the REFIT process.*** The reduction target and process are implemented with respect to the policy areas that are earmarked within the REFIT process as particularly in need of review and simplification. Under this option, the selection of areas would follow the same process of (and will be incorporated in) the REFIT process. This may require methodological changes or additions to the REFIT framework, which (as observed in Section 1.2.2 above) currently lacks a well-structured, streamlined methodological approach to data collection and measurement/quantification/monetization of costs, despite the existence of a very detailed Better Regulation Toolbox that offers abundant methodological support to Commission services. This sub-option is anyway the most in line with the Inter-Institutional Agreement on Better Lawmaking, and in the May 2016 Conclusions of the Competitiveness Council. This option is also more consistent with an application beyond businesses and SMEs: should the Commission decide to extend the analysis beyond the business sector, it is worth recalling that the REFIT agenda is strongly linked to the ten priorities of the European Commission, which foster a broad agenda for the EU, rather than one limited to the business sector⁴².
- c. ***Sectoral targets and reduction strategies for specific policy areas, based on data provided by the Cumulative Cost Assessments (CCAs).*** As already explained in Section 1.2.3 above, the European Commission, DG GROW has carried out a number of CCAs in specific industry sectors, starting with steel and then continuing with aluminium, chemicals, glass and ceramics. Similar exercises, although with a slightly different scope, have been carried out in other sectors such as construction and forest-based industries. The peculiarity of these assessments is that they reach an unprecedented level of depth in collecting data at the plant level from a representative sample of industry players located in various Member States: also, these data follow the existing taxonomy of costs and benefits of regulation used at the EU level (and shown in Section 1 above): as such, they collect separate data for administrative burdens and substantive compliance costs, for a number of legislative areas (e.g. for glass and ceramics: internal market, energy, climate, competition, trade, product standards, consumer protection and health, safety, transport). This exercise is also more

⁴² https://ec.europa.eu/commission/priorities_en

evidently suited for net reduction targets that are focused on businesses, as the data collected and impacts quantified are exclusively related to the industry sector and players that form the subject matter of the study. Under this sub-option, the European Commission would start setting reduction targets on regulatory costs based on the studies already carried out, and would then proceed towards the selection of other industry sectors to be prioritized for a cumulative cost assessment, and consequent, sectoral reduction targets.

- d. Sectoral targets and reduction strategies, based on data and input provided by European Commission and the Member States.** Under this option, the European Commission and the Member States would jointly commit to identifying policy areas that, based on EU and national data, appear to be most burdensome for the targeted stakeholders. Data could be provided jointly by the European Commission (past impact assessments, ex post evaluations, fitness checks, CCAs, externally commissioned studies); and by those Member States that have collected data on administrative burdens and (depending on the overall option chosen) compliance costs. The role of Member States could of course vary depending on the degree of cooperation envisaged: Member States could, at a minimum, contribute to the decision of the policy areas to cover, supporting their proposals with evidence; or, at the other extreme, take responsibility for providing the European Commission with the data needed to choose the most relevant areas, quantify the overall stock, set and monitor the implementation of a meaningful reduction target. The basic scenario considered in this section implies a very active role of Member States in providing the Commission with data to prioritize areas and measure regulatory costs. At the same time, the analysis takes into account the lack of experience of most Member States in the field of compliance cost assessment and reduction.

These four sub-options led to the definition of a Matrix of options, shown in the table below.

Table 1. Matrix of Options

Options	Variants	A All (major) EU legislation	B Sectoral, within REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
1. Measurement and net reduction target on ABs		1A	1B	1C/2C	1D
2. Net reduction target on ABs, without a baseline measurement		2A	2B		2D
3. Measurement and net reduction target on all compliance costs (AB + SCC)		3A	3B	3C/4C	3D
4. Net reduction target on all compliance costs (AB + SCC), without a baseline measurement		4A	4B		4D

Each of these 16 scenarios (which are in effect 14, since 1C and 2C are identical, and the same goes for 3C and 4C, as will be explained below) can be further broken down along additional dimensions, in line with the many variants described above (who, what, how). The most important variants include: (i) whether to focus only on businesses, or also citizens, civil society and public administrations; (ii) the type of implementation strategy (big bang v. incremental), including the feasible timeframe; and (iii) whether the focus will be on the European Commission, or other EU institutions would/should be involved. In addition, the overall governance of the exercise is discussed once the options have been reduced to a smaller number (see below, Section 3).

2.2 Alternative options: assessment criteria

Each of the options is discussed in detail through a scorecard analysis of variables relevant for the introduction of feasible reduction targets. The analysis is based on five criteria, meant to represent the overall methodological and political feasibility of the policy options considered.

More in detail, three “methodological feasibility” criteria were chosen:

- **Comprehensiveness and overall impact.** This criterion accounts for the breadth of coverage as well as the overall expected impact in terms of simplification. More specifically, it covers two main dimensions: (i) the extent to which regulatory costs are covered (i.e. only administrative burdens, or also substantive compliance costs, inspection and enforcement costs, etc.); and (ii) how broad is the scope of the reduction programme (EU *acquis* v. sectoral). Of course, the broader the scope, the greater the expected impact in terms of regulatory simplification, and thus arguably the greater the benefit to the economy⁴³.
- **Accuracy.** This dimension encompasses both the availability of data for the quantification of regulatory costs, and the level of detail reached by the analysis (including, i.e. the quality of the data and the representativeness of the sample). The level of accuracy reached by CCAs on regulatory costs, for example, can be considered as greater than the one based on existing REFIT studies, due to the fact that CCAs are exercises aimed at collecting fine-grained empirical data at the plant level. This difference is also due to the fact that the commitment to quantify regulatory costs is not always followed-up by the Commission. As explained in Box 4 below, experience suggests that options based on a baseline measurement of administrative burdens are not necessarily scoring better in terms of accuracy than options that do not foresee such measurement. Moreover, given the high cost of the baseline measurement, the possible accuracy advantages often does not materialise since the level of extrapolation needed (especially at the pan-European level)

⁴³ At this stage, the comparison of options does not include the discussion of whether only businesses or also citizens and public administrations should be involved in the analysis and reduction of regulatory costs, since this criterion does not affect the selection of the preferred approach (our objective in Section 2): this issue is however discussed in Section 3 of this report.

leads to important distortions in the overall result: this was the experience with the EU baseline measurement of administrative burdens in 2007.

Box 4. Are targets set after a baseline measurement more accurate than a politically set target?

A very important element in weighing the different merit and feasibility of the alternative options proposed in this Study is related to the level of accuracy of the estimates provided by different methods that can back a net reduction strategy. Intuitively, one would be tempted to conclude that when a large baseline measurement exercise is available, governments can more accurately look at where costs are, assess their magnitude, and formulate a reasonably educated guess of what a reasonable reduction target could look like.

However, as emerged during the preparation of this Study, the experience of many countries that have gone through a baseline measurement of administrative burdens in the past two decades (including, but not limited to, the RegWatchEurope member countries) suggests that designing and executing a very accurate baseline measurement of regulatory costs is so complex, and requires so many assumptions and extrapolations, that eventually the level of accuracy that the whole exercise would guarantee is not necessarily greater than the one secured by a lighter process, which simply looks at the “delta”, i.e. the costs created and eliminated by newly proposed regulations.

Accordingly, in the scorecard analysis of the various alternative options presented below, the level of accuracy attributed to the options that entail a baseline measurement will not be scored as greater than that of the options that do not require a baseline. That said, whatever option is chosen, the ability of administrations to locate and measure regulatory costs by using methodologies such as the ones available in the Better regulation Toolbox is absolutely essential to the accuracy and effectiveness of the whole exercise: developing and promoting this ability inside government emerged as the most promising precondition for the overall accuracy of the final result.

- **Methodological simplicity.** The implementation of different methods requires the use of indicators and techniques that can prompt EU officials with different levels of simplicity. While none of the methods surveyed for the quantification of costs is particularly difficult from a methodological perspective, it is inevitable to observe that a baseline measurement presents a greater technical difficulty than a “relative” approach based on the control of the flow of new legislation, if anything due to the need for more assumptions and extrapolation of data, as well as difficulties in finding out about important parameters such as overheads and BAU factors for a broader array of legal rules and obligations. Likewise, the assessment of compliance costs is normally more methodologically complex than the assessment of administrative burdens; this is potentially more true at the EU level, given that the parameters needed for analysis must be calculated for each of the Member States, and it is difficult to rely on a standardized set of administrative activities, as is typically the case for the SCM.

In addition, two criteria, focused on the procedural and political feasibility of the options, were considered:

- **Time needed for implementation.** Some options differ from others in terms of the time needed for implementation. For example, a sectoral approach typically requires less time to start, since it allows for the selection, among policy areas perceived as particularly burdensome, of those for which data availability is greater, especially if sectors are chosen based on the existence of previous data or on Member States' input. At the same time, administrative burdens measurements and reduction programmes typically require less time to start than programmes covering all compliance costs; and a baseline measurement typically requires a lot more time, as experienced by the European Commission and many Member States already during the past 15 years, relative to the implementation of a net reduction target, or a stock-flow linkage rule.
- **Compatibility with existing commitments.** Another element that must be considered in comparing the feasibility of available options is how coherent they are with the commitments made and with the existing institutional and political framework. In particular, the degree of alignment between EU commitments and Member States' preferences is relevant when assessing what could be reasonably developed in the short term. As will be explained below, some of the options could be kick-started already in the second half of 2017, or in early 2018⁴⁴. But for other options to be designed and implemented, changes would be needed in the procedure, governance and guidelines associated with the overall reduction programme: this, in turn, might entail several months of preparation, possibly moving the starting point towards the end of the decade, or after 2020. This criterion incorporates a dimension of "political feasibility" or "political salience" into our discussion of possible options, by representing the extent to which the proposed option is in line with the political agreement struck in 2016 between EU institutions and the Member States.

These variables were selected as they represent the main operational and political aspects of adopting a net reduction target at the EU level. They cover the main evaluation criteria used for public policy programmes: (i) the effectiveness criterion is represented by the comprehensiveness and overall impact, as well as the accuracy dimension; (ii) the efficiency criterion is approximated by the questions on timely implementation, accuracy, as well as comprehensiveness and overall impact; (iii) the relevance criterion is accounted for by the assessment of overall impact, accuracy, timely implementation; and (iv) coherence is represented by the criterion related to the compatibility with existing commitments. The Study does not discuss EU added value, as this is implicit in the nature of this feasibility study.

⁴⁴ This is an important aspect as well for Scenario 2C as the Council Conclusions of May 2016 urge the Commission to enable the introduction of reduction targets in 2017.

2.3 Scorecard analysis: methodological clarifications

A scorecard exercise can be used in order to reduce complexity whenever there are too many options to compare. It is not an impact assessment tool in the sense that it does not lead to a systematic appraisal and weighing of the impacts of alternative policy options. It is only used to highlight those options that stand out as not being dominated by any of the other options in the group: such options are then retained as the preferential ones in the remainder of our analysis.

More in detail, in a scorecard analysis:

- *Each option is scored for each criterion*, and attributed a value of 1 to 5.
- *Scores are not meant to be compared across assessment criteria*, but only within each individual criterion. The scorecard analysis is meant to build a hierarchy of the options for each of the individual criteria chosen. Accordingly, a “3” (or ●●●) given to a given option should not be compared, and should not be summed up with, a “2” (or ●●) given to the same option with respect to another assessment criterion.
- *In a scorecard analysis, the purpose is identifying the “dominated” options, i.e. the ones that do score equally or worse than others in all dimensions*. No further comparison of options is carried out in order to avoid methodological issues, such as giving different weights to different criteria, checking for possible overlaps and double counting, etc.
- *Possible overlaps between comparison dimensions does not lead to double counting*: each criterion is evaluated separately, and the comparison of options is exclusively aimed at excluding options that are dominated in all respects. Options are not given any specific weight.

More specifically, the proposed scorecard analysis assess alternative options in the following ways:

- For the “comprehensiveness and overall impact” dimension, options that cover the whole EU *acquis* are scored higher than options that focus on specific sectors; options that require an overall reduction target are scored higher than options that focus on sectoral targets; and options that cover compliance costs (AB and SCC) are scored higher than options that cover only administrative burdens.
- For what concerns the “accuracy” dimension: given evidence that baseline measurements do not provide any relevant added value in terms of accuracy (see below), the score for accuracy does not vary based on whether a baseline measurement is contemplated in the observed option; options based on contribution from Member States are scored as less accurate since, as confirmed during the interviews carried out for the purposes of this study, data collected by Member States feature a high level of heterogeneity and would be difficult to reconcile in a way that is useful for the European Commission; in addition, most Member States do not systematically collect data on compliance costs. This situation

becomes associated with less accuracy in the case of compliance cost measurements, since most Member States have no experience in this field.

- As regards the “methodological simplicity” dimension, options that require a baseline measurement score lower than options that focus on the “delta”, in light of the complexity of the baseline measurement exercise; options that focus on compliance costs score lower than options that are limited to administrative burdens, since the Commission has more experience with the latter and the Standard Cost Model is a more consolidated methodology; sectoral options based on REFIT and CCAs are generally simpler than options that focus on the whole *acquis*; but options based on Member State data are more complex given the heterogeneity and fragmentation of data held at the national level. This is reflected in the scoring of the 14 alternative options.
- For what concerns the “timeliness of implementation”, baseline measurements normally take a long time and thus options that contemplate them score lower than others (even lower if the option covers the whole EU *acquis*). Options based on existing CCAs can lead to an almost immediate start (with some caveats), but might be difficult to scale up over time as CCAs also take a long time to complete; options that are based on the REFIT process generally score higher than options based on non-consolidated processes such as the ones based on input from Member States, and the ones that cover the whole (relevant) *acquis*.
- Finally, in terms of “compatibility with existing commitments”, options that mirror the content of the Inter-Institutional agreement on Better Lawmaking and/or that of the May 2016 conclusions of the Competitiveness Council score of course higher. The two documents refer to the REFIT process (and accordingly, options “B” get the highest score); to policy areas (and accordingly, options B, C, and D get higher scores); and make no mention of the involvement of Member States (hence options D score low). The two documents refer to administrative burdens, overregulation, broad regulatory impacts and innovation: thus, covering both administrative burdens and substantive compliance costs is expected to be fully in line with existing commitments.

2.4 Analysis of alternative options

2.4.1 Option 1: Measurement and net reduction target on administrative burdens

This option corresponds to the traditional approach adopted since 2007 at the EU level for the pan-European measurement of administrative burdens. After a rather expensive measurement (approximately 20 million Euros), it led to data that were very difficult to validate and use, and the announced database was never published. This option was followed by the setting of a net reduction target of 25%, which was reportedly exceeded (27%), even if the figure was highly controversial, as it might have not included all legislation that was introduced during the reduction period (the level of use of the SCM in the Commission is still low, see Fritsch et al 2012).

Below, each sub-option is analysed based on the criteria illustrated in the previous section.

Option 1A (Baseline measurement of administrative burdens on all the relevant EU *acquis*)

Scenario 1A would imply a baseline measurement and the setting of an overall net reduction target on administrative burdens on all (relevant) EU *acquis*. This would make it a quite comprehensive option, at least by one of the two dimensions of **comprehensiveness**; at the same time, its comprehensiveness would be significantly limited by the fact that the scope is limited to administrative burdens, and does not extend to substantive compliance costs. Accordingly, we attributed a score of (••) to this criterion.

In terms of **accuracy**, as explained in Box 2 above, while the existence of a comprehensive measurement exercise would in principle enable the mapping of where regulatory costs are, this exercise has not proven to be particularly accurate in the past, and even less when the EU sought to launch a pan-European measurement of the most burdensome directives. Accordingly, we attributed a score of (•••) to this criterion.

The **methodological simplicity** associated with option 1A is relatively high, since it would require the use of the SCM, a method that both the European Commission and Member States already know well. Difficulties might arise due to the need to extend the baseline measurement to areas in which no previous measurement has been carried out (the original baseline measurement only covered 42 EU directives); to the need to update the original baseline, as well as to the need to re-measure entirely certain pieces of legislation due to the limited quality and reliability of existing estimates. Data could be collected by the Commission also by looking at past impact assessments, past cumulative cost assessments and (to a very limited extent) past REFIT exercises: however, in general such data might not be homogeneous with data from the past baseline measurement. Accordingly, the extent of data re-usability appears very limited for option 1A. Based on these considerations, this option scores (•••) in terms of simplicity.

The **time needed for implementation** of option 1A would be of at least three years before the reduction target can become operational. During the three years, the Commission would need to issue a call for tender (month 3), select a consortium of experts (month 6), and let them conduct the baseline measurement for at least 24 months, plus 6 months for validating the results (month 36). At the end of the measurement, a reduction target could be introduced, and the Commission would start reporting results achieved in the Annual Burden Survey. Alternatively, the Commission could involve Eurostat (an internal service) or the Commission Joint Research Centre to develop the baseline measurement in-house: while this would probably be a preferable option in terms of “ownership” of the results, it would not necessarily shorten the time needed to implement the reduction programme. This option thus scores (•) in terms of timeliness of implementation.

The overall **compatibility with existing commitments** of option 1A is also low. The option, once implemented, would support the publication of an Annual Burden Survey, but would not be

necessarily in line with the need for sectoral targets and a focus on areas of high innovation potential, as mentioned by the Conclusions of the Competitiveness Council in May 2016. This is why, overall, this option scores low (••) in terms of compatibility with existing commitments.

Option 1B (Baseline measurement of administrative burdens in specific sectors, based the REFIT strategy)

Under options 1B, the European Commission would follow a sectoral approach, based on data generated and (possibly) available at the EU level only (or primarily). The level of **comprehensiveness** and overall impact is among the lowest in our selection of options (scoring •). As a matter of fact, this depends on the fact that this option falls short both in terms of breadth of coverage (only the most burdensome areas, not the whole *acquis*); and in terms of coverage of regulatory costs (only administrative burdens, not substantive compliance costs).

In terms of **accuracy**, the existence of a measurement exercise could in theory lead to a high score: however, as already explained in Box 4 above, the cost of the baseline measurement might prove very high, and the national and EU experience so far casts important doubts as regards the cost-effectiveness of developing a full-fledged baseline measurement as opposed to the setting of a net reduction target without baseline measurement. Overall, it is reasonable to assume that the level of accuracy would not be higher with a baseline measurement, compared to when targets are set politically. The score attributed to this scenario (•••) is then similar to the one awarded to option 1A.

This option shares the same level of **methodological simplicity** (•••) compared to 1A, as it relies on the SCM for the calculation of administrative burdens. More in detail, option 1B would require that the Commission updates the REFIT methodology to incorporate a systematic baseline measurement for the chosen policy area. For each area, the baseline measurement would take approximately 18 months, at the end of which the Commission could start setting a reduction target. This critically affects the **timeliness of implementation**, which was given a low score (••), although not as low as the one attributed to Option 1A.

The overall **compatibility with existing commitments** of option 1B appears greater than for option 1A, thus the score is considerably higher (••••). The Commission has indeed committed to develop a system to track administrative burdens at the “sectoral” level and publish an Annual Burden Survey. Here, however, while the commitment of the Commission is explicitly referred to REFIT, it must be noted that the implementation of the data collection within REFIT might take time since at the moment the Commission is not quantifying all REFIT measures consistently. At the same time, option 1B broadly corresponds to what the Commission has committed to do in the Inter-Institutional Agreement on Better Lawmaking, and to some extent also to what the Council has called on the Commission to do in the May 2016 Competitiveness Council conclusions.

Option 1C (Baseline measurement of administrative burdens in specific sectors, based on data from CCAs)

Option 1C implies the setting of sectoral targets on administrative burdens following a baseline measurement in specific policy areas, as indicated by cumulative cost assessments completed so far. As already explained, CCAs were completed in the steel, aluminium, chemicals, glass and ceramics sectors, but there has been no CCA on other manufacturing sectors, let alone in services. Accordingly, only for these five individual industry sectors the Commission has *de facto* already conducted a measurement. The results include a wealth of relatively recent data on administrative burdens (and compliance costs, as will be specified below), collected at the plant level throughout the EU (see above, Section 1.2.3 for a more detailed explanation). These data could be put to use within a relatively short timeframe, and could be followed by similar exercises in other industry sectors. At the same time, given the long duration and high data-intensity of CCAs, scaling up these exercises to more industry sectors and policy areas would take some time (the duration of a CCA so far has been 18-24 months). At the same time, Option 1C focuses on the subset of policy areas that was defined as burdensome by the industry players covered by the study; in addition, some important areas such as taxation are not covered.

Against this background, the **comprehensiveness** of this option is very limited, not only since the focus is only on administrative burdens, but also since the areas chosen are not necessarily the most burdensome ones for all industry players. This is why the score for this option is very low (•). The degree of **accuracy** is significantly high for the industry sectors covered, with data already available and potentially sufficient to set a net reduction target in certain areas; at the same time, for other sectors data are not available through CCAs yet, and scaling up the exercise to other industry sectors might not be easy. Hence the score attributed is intermediate (•••).

When it comes to **methodological simplicity**, it must be recalled that CCAs typically rely on the SCM to measure administrative burdens. While data are already available and recent, scaling up the exercise to add more industry sectors entails a complex and lengthy process, and the level of depth and complexity of the CCA is greater due to the cumulative, highly empirical nature of the exercise. Accordingly, this option was judged to score (•••).

The **time needed for the implementation** of Option 1C deserves a careful explanation. In principle, the European Commission could start setting the first sector-specific targets already in the second half of 2017, based on the present CCA studies. Inevitably, this exercise would become more salient if a study was commissioned, which compared the values obtained for various categories of costs and various legal rules in different industry sectors. A comparison of the steel, aluminium, glass and ceramics sectors would in particular be possible, as the methodologies used were broadly similar, and some important horizontal pieces of legislation were “measured” in all of them. The compatibility of the CCA on chemicals would need to be

assessed, but is likely to be high⁴⁵. However, this exercise would not be very representative of the overall situation of businesses in Europe, as it would only build on the results of an analysis of five sectors. The selection of specific industry sectors in Option 1C might look arbitrary or raise complaints in the non-selected sectors, thereby jeopardizing the legitimacy of the overall exercise. And any attempt to scale up the exercise would inevitably delay the implementation of the net reduction strategy. Accordingly, this option was given a higher score than option 1B (•••), and still subject to important *caveats*.

All this bears consequences also in terms of the **compatibility of this option with existing commitments**. While choosing to focus on administrative burdens in specific policy areas perceived as burdensome is broadly in line with existing commitments, this would not occur within REFIT; and given the process of the CCA and the limited focus on selected industry sectors, the choice of the policy areas would not necessarily be consistent with the conditions set in the Competitiveness Council conclusions of May 2016 (areas relevant for SMEs, with high potential for innovation, etc.). This is why Option 1C scores lower than option 1B in this respect (••).

It is important to note that options 1B and 1C can easily become a single option, if the Commission decides to use the REFIT and CCAs in combination (see Section 3 below). One example is the REFIT on REACH, which was accompanied by a CCA that targeted the Chemical sector. The two instruments are complementary and could become the real engine of a future commitment to realize net reduction targets⁴⁶.

Option 1D (Baseline measurement of administrative burdens based on data provided by the Commission and Member States)

Cooperation with Member States to accelerate the deployment of Option 1 would certainly be useful, but would also come with possible risks and disadvantages especially in terms of data homogeneity and time for implementation. All the EU28 have made use of the SCM in one way or another, especially after 2007, although some of them reportedly stopped using this methodology in the past few years to focus more on other methods (e.g. “life events” in France). Among the RegWatchEurope members, some (in particular Sweden and Finland, and to some extent also Norway) still focus almost exclusively on administrative burdens, without extending their analysis to compliance costs. Many countries would be able to share with the Commission important data that could be used to refine existing estimates, build a more

⁴⁵ One *caveat* however applies: for all these studies, the need to collect very accurate confidential data from individual companies in sometimes highly concentrated markets led researchers that carried out the study to develop a system of “Chinese walls”, in which the most confidential information is not shared with the Commission, but is only presented in aggregate form.

⁴⁶ It is worth recalling that the CCA is one possible method, and is also subject to revision or even significant change over time: more possibilities exist to identify possibilities for burden reduction, such as the CAR method used in the Netherlands

comprehensive baseline, prioritize reduction measures and refine the analysis of how reform at the EU level would result in, for example, enforcement cost savings at the national level.

This option is not very **comprehensive** (•), since it still requires a focus on administrative burdens only, and a focus on some areas as opposed to the whole relevant EU *acquis*. At the same time, given the standardization of the underlying model (even if important differences still exist across countries, and between Member States and the EU SCM), the level of **methodological simplicity** of this option would in principle be helped by the fact that the SCM is a widely used methodology, but the need to collect and reconcile data from different Member States would significantly increase the level of difficulty (•). The same can be said for **accuracy** (••): given the difficulty of a baseline measurement exercise jointly carried out by the Commission and Member States and the fact that many countries have abandoned baseline measurements in the past few years, this option appears unlikely to rely on sufficient data availability and likely to have to rely on extensive extrapolation.

The **time needed for implementation** is difficult to estimate, since a coordination mechanism would need to be devised, possibly within the REFIT platform; and a baseline measurement would need to be implemented in cooperation with Member States, which by itself would be an unprecedented exercise. As a result, it is reasonable to assume that this option would not be easy to implement in the short term, hence the low score (•). Such mechanism would take at least one year to be negotiated and put to use: the level of cooperation would also be difficult to institutionalize without generating tensions between Member States and the Commission, especially when data diverge significantly across Member States. The pilot study on administrative burdens for the European Commission, DG ENTR (Boeheim *et al.* 2006) already highlighted very important differences in the results obtained by individual national measurement; and similar findings were also highlighted by CEPS in its work in support of the Stoiber group on so-called “fast-track actions”⁴⁷.

On the overall **compatibility with existing commitments**, this option would be different from what has been so far subject to commitment at the EU level. Member States might probably end up considering that the required cooperation ultimately “dilutes” the level of commitment of the European Commission, whereas what is needed is a clear allocation of responsibility at the EU level. Also, it must be reminded that “it takes two to tango” in a cooperation scheme. While there would probably be availability on the side of the Commission, the readiness of Member States to cooperate in a stable manner with Brussels might vary, or be generally low. Again, this leads to a very low score (•).

Other aspects

For the time being, we assume that this option will only focus on ABs for businesses, given that the bulk of the available data at both the EU and MS level focuses on businesses. We also

⁴⁷ RegWatchEurope probably has additional information in this respect, which could refine the assessment of the time needed for implementation in this particular option.

assume that the initial exercise will involve only the European Commission, since the Commission is the only institution that uses the SCM, and the only institution that has committed to develop an annual burden survey.

Table 2. Scorecard table for option 1

Option 1: Measurement and net reduction targets for admin burdens	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Scorecard items				
Comprehensiveness	●● <i>Only covers administrative burdens, for the whole EU acquis</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>
Accuracy	●●● <i>A full baseline measurement has proven to be complex, and it is difficult to achieve a high level of accuracy.</i>	●●● <i>The baseline measurement has proven to be complex. At least resources could be focused on a few burdensome areas chosen within REFIT</i>	●●● <i>The baseline measurement has already taken place in five sectors, but accuracy can be undermined if other sectors experience different burdens.</i>	●● <i>A new baseline measurement done in cooperation between EU and MS would be difficult and likely to rely on extensive extrapolation</i>
Methodological Simplicity	●●● <i>The SCM is a consolidated methodology, but a full baseline takes time and various assumptions</i>	●●● <i>The SCM is a consolidated methodology, but a full baseline takes time and various assumptions</i>	●●● <i>The SCM has already been used in five sectors, and for several policies. The parameters chosen would have to be validated before extrapolation</i>	● <i>Setting up a new baseline measurement based on national data would be hard. While most of the EU28 have used the SCM, compatibility of results has proven to be limited and problematic</i>
Timely implementation	● <i>At least three years before the target can become operational</i>	●● <i>The baseline measurement takes time even in single areas.</i>	●●● <i>The baseline measurement has already taken place in five sectors and several policy areas, but scalability would be an issue.</i>	● <i>The baseline measurement would have to rely on a coordination mechanism and an overall strategy that is not yet available</i>
Compatibility with existing commitments	●● <i>Goes beyond the current commitments in terms of scope of policies, but could lead to an Annual Burden Survey</i>	●●●● <i>In line with the Annual Burden Survey commitment and REFIT framework. Falls short of covering compliance costs</i>	●● <i>In line with the Annual Burden Survey commitment, but would fall outside REFIT and might not focus on the most appropriate areas</i>	● <i>Multi-level cooperation is not covered by existing commitments</i>

2.4.2 *Option 2: Net reduction target on administrative burdens, without a baseline measurement*

Under this option, there would be no new baseline measurement of administrative burdens. Rather, the European Commission would keep track of the administrative burdens introduced by new legislation/obligations, as well as of those eliminated by repealing legislation/obligations, with a view to reaching a target expressed more likely in absolute, rather than percentage terms (since the 100%, i.e. the baseline, would not be specified). This option corresponds to the current practice in some of the Member States, and in particular in some of RegWatchEurope countries. These countries can be further subdivided into countries that pursue a net reduction target by relying also on stock-flow linkage rules (e.g. OIOO, OITO); and countries that keep track of the overall net reduction target by reporting periodically on the achievement of the target (e.g., Sweden, UK, The Netherlands)⁴⁸.

Importantly, this option (and also option 4 below) can be approached in a number of different ways. In particular, the target can be set on the basis of a significant amount of data collection, or be “politically set”, i.e. decided by announcing a reduction commitment that is considered to be reasonably ambitious, but not necessarily backed by any specific accurate calculation. While the former option might seem attractive in theory, in reality most countries that have successfully set reduction targets for regulatory costs have done that in line with the latter approach. The applicability of the more “political” target-setting approach to the European Commission is, also, an issue that deserves further discussion: the degree of accountability and legitimacy of national governments setting targets is difficult to compare with the position of the European Commission, even if the political nature of the Juncker Commission would seem to suggest that politically set targets can fall in the remit of the Commission itself. Below, we will assume that the Commission, in addition to refraining from a baseline measurement, will only use the data that are readily available (or can be collected within a short timeframe), without engaging in massive data collection exercises to create new data, which would then form the basis for deciding on what target is sensible, actionable, and meaningful.

This option is also broken down into four sub-options, as for the previous one. They are analysed below.

Option 2A (Reduction target on administrative burdens for the whole relevant EU *acquis*)

Under this option, the European Commission would set a net reduction target on administrative burdens without a prior baseline measurement, for all EU (business-relevant) legislation. This would imply a certain level of **comprehensiveness**, although the focus would still be limited to administrative burdens, which are unlikely to be the bulk of all direct

⁴⁸ A separate scenario with OIOO or OITO rules instead of net reduction targets has not been developed for the purposes of this draft, but can be of course developed in accordance with RegWatchEurope.

compliance costs. The score attributed to option 2A is the same as option 1A (••), as both feature the same scope.

One key question would be: how should the target be set? Again, the experience in many Member States shows that targets can, and have been set on political level. That said, the more information is available, the more reasonable the political target would be: at the EU level, a relatively benchmark point could be the data provided by Table 3 below, which shows the reductions of administrative burdens achieved during the first round of measurement, which ran from 2007 to 2012.

Table 3. Results of the EU AB reduction exercise, 2007-2012

Priority Area	Administrative Burden (in €)	Sectoral Reduction Figure (in €)	Reduction as % of Burden
Agriculture / Agricultural Subsidies ¹²	5 289 700 000	-1 891 400 000	-36 %
Annual Accounts / Company Law	14 589 100 000	-8 274 500 000	-57 %
Cohesion Policy	929 100 000	-222 600 000	-24 %
Environment	1 180 600 000	-242 100 000	-21 %
Financial Services	939 600 000	-141 600 000	-15 %
Fisheries	73 900 000	-33 400 000	-45 %
Food Safety	4 073 300 000	-1 281 800 000	-31 %
Pharmaceutical Legislation	943 500 000	-154 600 000	-16 %
Public Procurement	216 300 000	-60 100 000	-28 %
Statistics	779 500 000	-328 100 000	-42 %
Taxation / Customs	87 005 300 000	-26 334 200 000	-30 %
Transport	3 861 700 000	-748 200 000	-19 %
Working Environment / Employment Relations	3 879 200 000	-659 600 000	-17 %
Total	123 760 800 000	-40 372 200 000	-33 %

Source: European Commission (2014).

Moreover, available national experience also suggests that the target should be “net”, and as such should take into account also those regulatory costs that are introduced by new legislation, alongside with the ones that are eliminated through simplification measures. The net reduction target could be set somewhere close to an estimated 25% of the overall amount of administrative burdens (e.g. 20 billion Euros) over a period of five years, with six-monthly or

yearly reporting of the evolution of the total amount of burdens (“Burden Survey”). The net reduction target could be set as a general target irrespective of the policy area, or differentiated by policy area, perhaps based on the cost reductions already achieved in the past (see table above), and/or on an estimate of the reduction potential, which could be derived *i.e.* through surveys and stakeholder consultation. Overall, especially in the case of a politically set target, the level of **accuracy** of this exercise is expected to be limited as the setting of a political target typically comes with limited data collection efforts; at the same time, accuracy would not be very different compared to Option 1A, for the reasons exposed in Box 2 above. The related score is thus the same (•••).

In terms of **methodological simplicity**, setting a general target on administrative burdens would not be particularly challenging, especially since the target could be set on political level. There would be no real need for extensive data collection, although the European Commission could engage in a quick survey of already collected data included in documents such as ex post evaluations, CCAs, competitiveness studies, REFITS/fitness checks, and surveys, such as the one on the top 10 pieces of legislation that are most burdensome for SMEs. This exercise would certainly be useful, given the amount of data that is produced at the EU level, but not fully re-used in support of policymaking. Overall the methodology required to implement option 2A is relatively simple (••••).

The **timeline for implementation** of such an option would not be prohibitive, but it would still take a few months for the Commission to get a relatively accurate sense of how to set the target, and how to prioritize reduction measures to achieve the target. A realistic starting date for such an exercise is 1Q2018 or later. Hence the score attributed is intermediate (•••).

The overall **compatibility with existing commitments** of the exercise is very low, given that the scope of the reduction target would not be limited to specific policy areas. This option thus is given the same score as option 1A (••).

Option 2B (Reduction targets on administrative burdens for specific sectors within the REFIT strategy)

Option 2B would require the setting of targets for the reduction of administrative burdens in specific policy areas, selected within the REFIT strategy. These options thus rank relatively low in terms of **comprehensiveness and overall impact**, since they cover only a few areas and not the whole relevant EU *acquis*; plus, they cover only administrative burdens, and not also substantive compliance costs. All in all the score attributed to this option is low (•).

The level of **accuracy** partly depends on whether the target is set in a political way, or based on existing data. The former case would increase timeliness and political accountability. As already explained, based on existing national experience there is no reason to expect a lower level of accuracy than in the case of options entailing a prior baseline measurement: accordingly, the score for this option is the same as option 1B (•••).

Here, the **methodological simplicity** would be highest, since the SCM is a consolidated methodology, and would only need to be applied more systematically by the Commission in keeping track of the burdens that are added or removed by new legislation, with a view to achieving the sectoral targets. Currently, the REFIT methodology does not incorporate any systematic, consistent instrument that allows for the setting of a meaningful reduction target. The score for this option is thus high (•••••).

The sectoral reduction targets would need to be devised and implemented in future REFIT initiatives, since so far REFIT has not led to the systematic collection of these data (even if in principle it is based on the better regulation toolbox): one possibility, however, could be that the Commission goes back to already completed REFITs and tries to use the available information to set reduction targets retroactively, committing to achieve reductions in the near future: this exercise would represent a “pilot” of what could more systematically be done in the future. That said, the **time needed for implementation** is probably the shortest (••••). Prioritizing specific policy areas where data is available would not require too much time for the Commission, which could probably start the overall programme already in late 2017 (see Section 3 below).

In terms of overall **Compatibility with existing commitments**, option 2B would fall squarely in line with what EU institutions have identified in terms of future Commission work on net reduction targets, with one possible limitation. Since substantive compliance costs would not be covered, the overall impact on the REFIT priorities, on SMEs and innovation (explicitly quoted in the Competitiveness Council conclusions of May 2016) might be lower than in the case of other options (e.g. 4B). This option was then attributed a high, but not the maximum score (••••).

Option 2C (Reduction targets on administrative burdens for specific sectors based on data from CCAs)

Option 2C, as already explained, is equivalent to option 1C, since CCAs already imply a measurement of administrative burdens in areas perceived as burdensome by the firms operating in the industry sectors under scrutiny.

Option 2D (Reduction target on administrative burdens for specific sectors based on data from the Commission and Member States)

With the help of Member States, Option 2D could become more viable than Option 1D. Cooperation with Member States would be based on a widely accepted (although not fully homogeneous) methodology, focused on a type of regulatory cost (ABs) that is defined in a very similar way across the EU28. The Commission could more cheaply estimate that overall magnitude of Administrative Burdens in various policy areas thanks to information received from the most advanced Member States in this domain, especially those countries that keep track of “category A-EU” burdens, i.e. burdens directly generated by EU legislation. It could also

select the policy areas in line with Member States' indications, thus potentially focusing on the most significant administrative burdens. This might improve **accuracy** (••), although the current experience in Member States suggests that the data that would be provided would not necessarily be of homogeneous quality, similarly updated, and easily comparable. The level of **comprehensiveness** would still be low, since the focus would be only on administrative burdens, and only on selected policy sectors (•).

This option would seem relatively straightforward from a methodological perspective: however, as already explained, some of our surveyed experts have highlighted that the devil is in the details when it comes to national methodologies for the reduction of administrative burdens. The Commission would avoid the difficulty in Option 1D, i.e. having to build a baseline measurement per sector based on data provided by (a subset of) Member States; it would simply draw implications from its dialogue with Member States, possibly in the REFIT government platform, and would on that basis decide what target to set, and which sectors to prioritize. It is also doubtful whether this system could be put to work in a short timeframe: the exchange of information with Member States could make up for the absence of a baseline measurement, but might lead to intractable challenges in terms of reconciling inputs from different countries. This is why **methodological simplicity** is likely to be low in the end (••). As already observed for option 1D, the **time needed to implement** this option might be difficult to predict, since it would entail the setting up of a stable, reliable cooperation mechanism between the two levels of government, which might then be difficult to operationalize without at least initial attritions and adjustments. (••).

Finally, in terms of **compatibility with existing commitments** this option scores lower than the previous two (2B and 2C), as it deviates from the existing commitments by requiring the cooperation between the EU and the national level. The score is thus very low (•).

Other aspects

For the time being, we assume that this option will only focus on ABs for businesses, given that the bulk of the available data at both the EU and MS level focuses on businesses. We also assume that the initial exercise will involve only the European Commission, since the Commission is the only institution that uses the SCM, and the only institution that has committed to develop an annual burden survey.

Table 4. Scorecard table for option 2

Option 2 Net reduction targets for admin burdens	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Scorecard items				
Comprehensiveness	●● <i>Only covers administrative burdens, but for the whole acquis.</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>
Accuracy	●●● <i>Might be limited if targets are set politically. However there is no strong reason to expect accuracy to be lower than in option 1A</i>	●●● <i>Might be limited especially if targets are set politically. However there is no strong reason to expect accuracy to be lower than in option 1B</i>	●●● <i>The baseline measurement has already taken place in five sectors for a number of policy areas, but accuracy can be undermined if other sectors experience different burdens.</i>	●● <i>MS data are unlikely to be easy to put to use to identify policy areas and set net reduction targets</i>
Methodological Simplicity	●●●● <i>Targets can be set politically based on existing data, without need for an ad hoc data collection. The “delta” can then be measured with the SCM for all relevant EU acquis</i>	●●●●● <i>Targets can be set politically based on existing data, without need for an ad hoc data collection. The “delta” can then be measured with the SCM in a selected number of (REFIT) areas</i>	●●● <i>The SCM has already been used in five sectors, and for several policies. The parameters chosen would have to be validated before extrapolation</i>	●● <i>Targets can be set politically but national data are not easy to compare, if not to get an indication of priority sectors. Various aspects of the SCM would be hard to estimate for different MS.</i>
Timely implementation	●●● <i>Setting targets for all relevant EU acquis would take some time, even if the choice is purely political</i>	●●●● <i>Areas are already selected within REFIT, but data are so far insufficient to get started immediately: targets could be set politically, but tracking the “delta” might take more time</i>	●●● <i>The baseline measurement has already taken place in five sectors and several policy areas, but scalability would be an issue.</i>	●● <i>Areas would need to be selected based on MS data, which is not always existing and can be difficult to compare</i>
Compatibility with existing commitments	●● <i>Goes beyond the current commitments in terms of scope of policies, but would support the Annual Burden Survey</i>	●●●● <i>In line with the Annual Burden Survey commitment, and REFIT framework.</i>	●● <i>In line with the Annual Burden Survey commitment,. Area selection could be problematic.</i>	● <i>Multi-level cooperation is not covered by existing commitments</i>

2.4.3 Option 3: Measurement and net reduction target on compliance costs

This option differs significantly from the previous two, since the unit of analysis is not administrative burdens, but the broader category of compliance costs, including both administrative burdens (ABs) and substantive compliance costs (SCCs). The latter, as shown in

Section 1 above, are defined at the EU level as “those investments and expenses that are faced by businesses and citizens in order to comply with substantive obligations or requirements contained in a legal rule”. The measurement of compliance costs (in particular, SCCs) is way less “codified” and standardized at the EU level compared to that of ABs. Furthermore, only a fistful of Member States has adopted methodologies that allow for the reduction of consistently measured compliance costs. Notably the Netherlands, Portugal and the UK have moved in that direction, and Norway is close to a similar move. Germany’s definition of regulatory costs appears takes a more comprehensive approach compared to these other countries, and is also different from that adopted by the European Commission.

Accordingly, option 3 and option 4 below must be considered as inherently more difficult from a methodological perspective, as well as in terms of data availability both in the European Commission and in Member States. However, realizing them would certainly lead to a way more comprehensive and impactful system for the reduction of regulatory costs, given that SCCs very often dwarf ABs. It would potentially be a more meaningful system also from a methodological perspective, since it would incorporate both SCCs and ABs, and would thus avoid those cases in which a reduction of ABs leads to increases in SCCs⁴⁹.

Below, the four different sub-options corresponding to Option 3 are outlined and subject to a first analysis.

Option 3A (Baseline measurement of compliance costs for the whole relevant EU *acquis*)

Under this option, the European Commission would have to plan for a comprehensive measurement of the compliance costs generated by the full (business-relevant) stock of EU legislation, with a view to setting a net reduction target to be achieved over a multi-year framework. Inevitably, this becomes the most expensive and burdensome option, given the amount of data to be collected. Possible variants include the creation of a partnership with Eurostat (and/or the Joint research Centre), aimed at developing a set of standardized tables that would enable an easier mapping of compliance costs (similar to what Destatis did with the government in Germany on administrative burdens); an extrapolation of data from CCAs already completed into all sectors of the economy (with consequent very low accuracy); or the launch of a comprehensive baseline measurement that would follow the scope and methods of the CCAs, but encompassing the whole *acquis*.

In terms of **comprehensiveness**, this is by definition the highest-scoring option in our range, since it requires coverage of all the relevant EU *acquis*, as well as an in-depth measurement of SCCs: the score thus reaches (•••••). In terms of **accuracy** this option could in theory score high, although the degree of approximation and extrapolation needed to complete a baseline of compliance costs should not be underestimated (see Box 2 above). The availability of data is

⁴⁹ Example. To avoid reporting obligations a legal rule could require the investment in new equipment that performs the reporting in real time and with no human intervention. This shifts the cost from ABs to SCC.

very low, and is limited to a collection of sectoral studies and the very few IAs that have consistently quantified compliance costs. Accordingly, it is very unlikely that this type of baseline measurement would achieve a very high level of accuracy, if not at a very high cost and within a very long timeframe: the score is then relatively low (••).

Whatever the actual variant chosen, option 3A appears hardly feasible in the near term. The **methodological simplicity** is certainly lower than the previous two options, and a well-defined baseline would be extremely difficult to build, and extremely (probably, too) costly to measure⁵⁰. The set of compliance patterns and behaviour to capture through a full baseline is very broad, and this certainly requires resources, skills, and time. The related score is then the lowest among alternative options (•).

In terms of **time for implementation**, the implementation of Option 3A would take at least five years, since the Commission would need to put in place a series of methodological arrangements and partnerships, plus run a complex tender for a multi-year baseline measurement to be conducted most likely by external experts (unless the whole exercise is completed in-house with the JRC and Eurostat, but this, too, would require a long time to design and implement). This option thus scores very low in this respect (•).

The overall **compatibility with existing commitments** would also be low (•) due to the fact that the option deviates from existing commitments, and would be likely very disproportionate and controversial, given the long time horizon, the low cost-effectiveness and the likely controversies that it would give rise to, especially during the validation and interpretation of the results.

Option 3B (Baseline measurement of compliance costs for specific policy areas selected within the REFIT strategy)

Option 3B appears to be ambitious, although less impractical than 3A. At the same time, it is inevitably less **comprehensive** than 3A, but still possibly very impactful, especially if the selected policy areas represent the bulk of compliance costs to be mapped and reduced, as should be the case as they are selected within REFIT (hence the score of ••••). Under option 3B, the Commission would have to incorporate in its future REFIT exercises a specific methodology aimed at creating an overall baseline for compliance costs in the specific policy area at hand. This could be done at different levels of **accuracy**, including a degree of extrapolation from data already available. It would certainly require a more consistent and regular use of the existing guidance on the quantification and monetization of compliance costs, as reported in the Better Regulation toolbox. At the same time, it would require the setting of sectoral targets, on which

⁵⁰ Actal researched the feasibility of a SCC baseline measurement for the Netherlands, and found that costs were not proportionate. This has led to the conclusion that a full-scale baseline measurement of SCC is not cost-effective. Furthermore, such a measurement was found not to be necessary as it suffices to look only at the changes (delta) in order to assess whether you have reached the net reduction target.

there is no real experience either in the Commission or in Member States. All in all, accuracy was given a score of (•••).

The **methodological simplicity** for option 3B is inevitably going to be low (••), although not as low as for options 3A and 3D. Even if resources could be focused on selected policy areas, the need for baseline measurements of each area might face important methodological challenges. Compared to baseline measurements for administrative burdens, scaling up the exercise to compliance costs becomes way more complex.

A **timely implementation** of this option would be difficult, although not as difficult as for option 3A, hence the score of (••). Implementing this option would require anyway a baseline measurement in areas identified as particularly burdensome within the REFIT process: a baseline measurement for each area might require several months, and targets would be set only after the measurement is completed.

In terms of overall **compatibility with existing commitments**, this option scores high (••••) since it focuses on both administrative burdens and substantive compliance costs in selected policy areas within REFIT; can lead to the publication of an Annual Burden Survey; and might be consistent with the need to adopt sectoral reduction strategies to trigger a significant potential impact on businesses, and in particular SMEs, as required by the Competitiveness Council Conclusions of May 2016. At the same time, the need for a baseline measurement is not mentioned in existing commitments.

Option 3C (Baseline measurement of compliance costs and net reduction targets for specific policy areas selected based on data from CCAs)

Under this option, the Commission would set net reduction targets after conducting a baseline measurement of compliance costs in policy areas selected based on the existing and future cumulative cost assessments. To be sure, CCAs provide the most ready-to-use information on both administrative burdens and compliance costs. The advantage of these studies is that most of them (at least three out of four large studies conducted so far) strictly follow the definition of costs and benefits of regulation contained in the better regulation toolbox and illustrated in Figure 1 of this Study; and are reasonably recent (2013 onwards). CCAs cover a variety of areas of legislation considered as the most burdensome for those businesses targeted by the studies: all those areas could potentially be selected for a net reduction target, as they have been designated with the help of industry associations as the ones that could exert the greatest impact on the competitiveness of the industry sector at hand.

To provide an example, as shown in more detail in table 11 below, the CCA on ceramics (forthcoming) covered the following legislative areas:

- Internal market legislation;
- Energy;
- Climate;
- Environmental legislation (industrial emissions);

- Environmental legislation (waste);
- Consumers and health legislation;
- Workers' and workplace safety

In addition, the Study included three chapters providing a more qualitative discussion of the role played by EU trade, competition and transport legislation as well as by the Eco-Label Regulation and Natura 2000 in the EU ceramics industry. The pieces of legislation covered have been selected during the Inception Phase of the Study. More specifically, the starting point for this selection was an 'indicative list' of relevant legislation and regulatory measures provided by the European Commission, and later further developed into an "extended list" through legal and economic research. Pieces of legislation included in the 'extended list' were shortlisted via desk research activities and several interviews with relevant stakeholder associations and industry experts in order to single out the most burdensome legislation for the sectors covered by the CCA. Eventually, a 'final list' of legislation underwent a mapping exercise aimed to screen each piece of legislation and identify those regulatory obligations that were expected to generate costs for EU manufacturers of ceramics. The results of the mapping served as a basis to prepare a detailed questionnaire to collect costs data at plant level.

Table 5. List of EU legislation covered by the CCA on Ceramics

1. Internal Market legislation
Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 laying down harmonised conditions for the marketing of construction products (CPR)
Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)
Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures (CLP)
2. Energy legislation
Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC
Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003
Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC
Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005
Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC Energy Efficiency Directive (Directive 2012/27/EC)
Guidelines on State Aid for environmental protection and energy 2014-2020 are 'soft' legislation and relevant to assess the cost impact of the Renewable Energy Directive
Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity

Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC Text with EEA relevance
3. Climate legislation
Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance (also known as the EU ETS Directive)
Commission Regulation No 600/2012 of 21 June 2012 on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council
Commission Regulation No 601/2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council
Commission Decision determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council (2011/278/EU)
4. Competition legislation
Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty
Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty
Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty
Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty
Council Regulation (EU) No 734/2013 of 22 July 2013 amending Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty
Community guidelines on state aid for environmental protection (2008/C 82/01)
Guidelines on State aid for environmental protection and energy 2014-2020 (2014/C 200/01)
Guidelines on certain state aid measures in the context of the greenhouse gas emission allowance trading scheme post-2012 (2012/C 158/04)
5. Environmental legislation (industrial emissions)
Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (integrated pollution prevention and control) (Industrial Emissions Directive, IED)
6. Environmental legislation (waste)
Waste Framework Directive: Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste
Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste
Packaging and packaging waste Directive: European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste
7. Trade legislation
Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community

Council Regulation (EC) No 597/2009 of 11 June 2009 on protection against subsidised imports from countries not members of the European Community
Council Regulation (EC) No 260/2009 of 26 February 2009 on the common rules for imports
Council Regulation (EC) No 625/2009 of 7 July 2009 on common rules for imports from certain third countries
8. Consumer and Health legislation
Commission Regulation 2023/2006 on good manufacturing practice for materials and articles intended to come into contact with food
Framework Regulation EC 1935/2004 on materials and articles intended to come into contact with food and repealing Directives 80/590/EEC
Directive 2001/95/EC on general product safety
9. Workers' and workplace safety legislation
Council Directive of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work (89/391/EEC)
Directive of 30 November 1989 concerning the minimum safety and health requirements for the workplace
Council Directive 98/24/EC of 7 April 1998 on the protection of the health and safety of workers from the risks related to chemical agents at work
Directive 2003/10/EC of the European Parliament and of the Council of 6 February 2003 on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (Noise Directive)
Directive 2013/35/EU of the European Parliament and of the Council of 26 June 2013 on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields) (20th individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC) and repealing Directive 2004/40/EC
Directive 2006/25/EC of the European Parliament and of the Council of 5 April 2006 on the minimum health and safety requirements regarding the exposure of workers to risks arising from physical agents (artificial optical radiation)
10. Transport legislation
Directive 2002/15/EC of the European Parliament and of the Council of 11 March 2002 on the organisation of the working time of persons performing mobile road transport activities
Regulation (EC) No 561/2006 of the European Parliament and of the Council of 15 March 2006 on the harmonisation of certain social legislation relating to road transport and amending Council Regulations (EEC) No 3821/85 and (EC) No 2135/98 and repealing Council Regulation (EEC) No 3820/8
Directive 2006/22/EC of the European Parliament and of the Council of 15 March 2006 on minimum conditions for the implementation of Council Regulations (EEC) No 3820/85 and (EEC) No 3821/85 concerning social legislation relating to road transport activities and repealing Council Directive 88/599/EEC
11. Other legislation
Regulation (EC) No 66/2010 of the European Parliament and of the Council on the EU Ecolabel
Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora and Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds

Source: CCA on Ceramics (forthcoming).

Interestingly, there is no real difference in these studies between the availability of data for administrative burdens and substantive compliance costs; indeed, the studies are chiefly

focused on both types of costs, with the latter representing the bulk of the costs faced by industry players as a result of EU legislation in the selected areas. CCAs keep track of substantive compliance costs and even enforcement costs (to the extent that they are faced by the industry players under analysis). At the end of the CCA there could be three additional steps: (i) an overall statement of the total substantive compliance costs and administrative burdens in the industry under examination; (ii) the definition of a net reduction target for that sector; and (iii) the planning of new regulatory measures aimed at achieving the target over time, and within a given timeframe⁵¹.

This option scores slightly lower than options 3A and 3B in terms of **comprehensiveness**, due to the fact that the policy areas initially selected on the basis of existing CCAs might not be seen as representative of those areas that all industry players consider as most burdensome. The selection process is not the result of an inclusive process as in option 3B, but rather represent the policy areas that are perceived as most burdensome by the industry players affected by the five CCAs completed to far. Also, important cross-cutting areas such as taxation are not included in the CCA; furthermore, scaling up the exercise to other policy areas and industry sectors would likely be a burdensome and lengthy process. This is why the score attributed to this option is (•••).

In terms of **accuracy**, data are certainly available for a limited number of industry sectors and policy areas, but as already explained the scalability of the exercise would require extensive data collections. Overall, the level of accuracy reached can be significant for the single sector targeted by the CCA, but a sufficient level of representativeness of the results for the whole EU economy would take a long time to achieve. Hence, this option scores (•••) on accuracy.

For what concerns **methodological simplicity**, the score is again intermediate (•••) since, on the positive side, the exercise has already been conducted in five industry sectors based on an evolving but broadly consistent methodology; but at the same time, as already explained, refining the methodology for application in other sectors might prove far from straightforward.

The **implementation** of option 3C could in principle be relatively **timely** (•••): the Commission could already go back to the five CCAs completed in the past four years and define, with some time adjustment, a timeframe for the reduction of substantive compliance costs and administrative burdens in those policy areas indicated by industry players in those sectors as burdensome. Accordingly, the exercise could start almost immediately in the policy areas covered by the first five CCAs (see above, Table 5 for an example): but the level of representativeness of those areas would not be sufficient to allow for robust results, and thus the exercise would need to be supported by further CCAs covering policy areas perceived as particularly burdensome by players in other industry sectors. This would take much longer, and

⁵¹ Note that parts of the CCA methodology might have to be amended in order to achieve that result: for example, currently the CCA does not fully assess the extent to which industry players pass on downstream SCCs, and such an assessment might be needed to improve the accuracy of the estimated total SCCs generated by the EU acquis for the industry players.

this is why the score for this option has been reduced to an intermediate, rather than high, level.

Finally, this option is broadly **consistent with existing political commitments** although the score cannot be as high as for option 3B (•••). First, it does not directly occur within the REFIT strategy, although additional CCAs could be commissioned in areas identified as burdensome within REFIT. Second, the policy areas already selected do not entirely correspond to the criteria mentioned in the may 2016 Conclusions of the Competitiveness Council: for example, some sectors are highly concentrated due to the high fixed costs involved, hence the emphasis on SMEs is not always present; furthermore, the issue of innovation was not a core concern of the CCAs completed so far; and the process for the selection of policy areas and industry sectors has not been fully inclusive of all relevant stakeholders. Therefore, a degree of misalignment between the scope of this option and the political context in which net reduction targets are being set is likely.

Option 3D (Baseline measurement of compliance costs for specific areas based on data from the Commission and Member States)

Option 3D would require a baseline measurement of compliance costs, thus encompassing both administrative burdens and substantive compliance costs, in specific policy areas, based on data provided by Member States and elaborated by the European Commission. This option would be as **comprehensive** as the previous ones (3B and 3C), and possibly even more impactful than 3C due to the fact that areas are chosen in cooperation with Member States (••••).

However, in terms of **accuracy** this option seems problematic (••), since most Member States have no consistent data on compliance costs, and a whole new baseline measurement methodology would not be easy to devise and implement correctly in the short or medium term. Most Member States have no clear methodology in place to collect such data, and it would take a very long time for them to collect them. One needs to add also that the definition of compliance costs can be different across Member States, and between them and the European Commission. This adds to the lack of **methodological simplicity**, which scores very low (•).

Finally, this option scores very low also in terms of **time for implementation** (•), given the need to coordinate different levels of government, and also given the need to develop methodologies for the collection of data on compliance costs in almost all Member States. Relying only on 2-3 Member States for this exercise may dramatically undermine the legitimacy of the overall programme. This problem is also reflected in an overall low score for the **compatibility with existing commitments** (•), since this option would fall outside the scope of the existing framework for implementing a reduction programme, and in particular of the existing commitments formulated by EU institutions in 2016.

Other aspects

For the time being, we assume that this option will only focus on SCCs and ABs for businesses, given that most of the available data at both the EU and MS level are related to businesses. We also assume that the initial exercise will involve only the European Commission, since the Commission is the only institution that looks at compliance costs in a relatively systematic way, and the only institution that has committed to develop an annual burden survey.

Table 6. Scorecard table for option 3

Option 3 Measurement and net reduction targets for compliance costs	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Scorecard items				
Comprehensiveness	<p>●●●●●</p> <p>Very comprehensive: it focuses on all relevant EU acquis and both admin burdens and compliance costs</p>	<p>●●●●●</p> <p>Comprehensive: it focuses on the most relevant EU acquis and both admin burdens and compliance costs</p>	<p>●●●</p> <p>Relatively comprehensive: it focuses on the most burdensome rules as perceived by a selection of industry players, including both admin burdens and compliance costs</p>	<p>●●●●●</p> <p>Comprehensive: it focuses on the most relevant EU acquis (based on MS data) and both admin burdens and compliance costs</p>
Accuracy	<p>●●</p> <p>Baseline for compliance costs can in theory be accurate, but the cost of reaching high accuracy is prohibitively high</p>	<p>●●●●</p> <p>Building a baseline of compliance cost in selected policy areas can be costly but could be more accurate as resources are more focused</p>	<p>●●●●</p> <p>Calculations have been made based on plant-level data for a representative sample of industry players in five sectors. However, the accuracy of these estimates for all other industries might not be high. Also, it would be costly to scale-up the exercise to many more industry sectors.</p>	<p>●●</p> <p>Accuracy might be undermined by the limited compatibility of data coming from Member States. Most MS have no experience in measuring compliance costs.</p>
Methodological Simplicity	<p>●</p> <p>Probably the most difficult of options: building a full baseline of compliance costs takes time, requires several assumptions and extrapolations</p>	<p>●●</p> <p>Building a full baseline of compliance costs for the most relevant sectors takes time, requires assumptions and extrapolations</p>	<p>●●●●</p> <p>The baseline is already in place for specific sectors and policy areas, would take effort to extend to other sectors in the future due to the magnitude of CCA studies</p>	<p>●</p> <p>Building a baseline based on national data would be painful, given that most MS do not track compliance costs and even when they do, definitions do not fully match</p>
Timely implementation	<p>●</p> <p>Building a full baseline before starting might take several years</p>	<p>●●</p> <p>Building a baseline for selected policy areas might take 1-2 years.</p>	<p>●●●●</p> <p>The baseline for selected sectors and areas is already available, might take time and effort to extend to other sectors/areas</p>	<p>●</p> <p>Takes time: a stable mechanism for cooperation between the Commission and MS would need to be created and tested</p>
Compatibility with existing commitments	<p>●●</p> <p>Goes beyond the existing commitments, as it covers all relevant EU acquis and not selected policy areas</p>	<p>●●●●●</p> <p>It falls within REFIT, it covers admin burdens and compliance costs for most burdensome areas. But a baseline measurement goes beyond existing commitments</p>	<p>●●●●</p> <p>Compatible with existing commitments, but falls outside REFIT, and only refers to policy areas that specific industry players indicated as burdensome</p>	<p>●</p> <p>Existing commitments do not imply cooperation with Member States</p>

2.4.4 Option 4: Net reduction target on substantive compliance costs, without a baseline measurement

Under this option, there would be no baseline measurement of administrative burdens or substantive compliance costs. The Commission would adopt absolute, nominal targets based on an expert assessment of the likely reduction potential related to the whole *acquis* (4A), or to specific policy areas (4B, 4C). Such an expert assessment would potentially (but not necessarily) become easier with enhanced, structured dialogue between the Commission and Member States, or at least those Member States (Netherlands, Germany with some methodological adjustments, the UK before Brexit, and partly France and Portugal) that are experimenting with SCCs in addition to ABs in their legal systems. The European Commission has also already experimented, in limited occasions, with the measurement of SCCs in impact assessments and CCAs. Here too, it is worth noting that option 4C is identical to option 3C.

The four sub-options are analysed below.

Option 4A (Net reduction target on compliance costs for the whole relevant EU *acquis*)

Under option 4A, the Commission would use all available information to set a net reduction target for the whole EU *acquis*. This makes this sub-option particularly **comprehensive**, and possibly very **impactful** since it covers many areas of legislation (by definition, more than options 4B and 4C) and adopts a broad definition of costs⁵². The maximum score was then attributed (•••••).

In terms of **accuracy**, this option might not require extensive data if the net target is politically determined. At the same time, the Commission would need to secure more accurate use of the methodological guidance already available in the better regulation toolbox, which already guides Commission services in the quantification of both administrative burdens and substantive compliance costs. All in all, it seems that the Commission would need some time to build capacity on managing compliance cost data; but the setting of a net target could prove beneficial in this respect, based on national experience that suggests that the existence of a target has important positive repercussions on the degree of quantification and the accuracy of policy evaluation in the administration. This option thus was given an intermediate score on accuracy (•••), slightly higher than the score given to option 3A, since as already discussed a baseline measurement does not necessarily increase accuracy compared to politically set targets (provided that they are meaningfully set); and in this case of option 3A, the need to create a full baseline of compliance costs at the EU level appears to be almost unachievable.

⁵² At the same time, the difference in comprehensiveness depends on the distribution of compliance costs across the EU *acquis*. Imagining, for example, that SCCs and ABs follow a “Pareto distribution”, it would suffice to cover 20% of the policy areas to capture already the overwhelming majority of regulatory costs. Accordingly, a full coverage of the *acquis* should not be expected to lead to a proportionate increase in the amount of regulatory costs covered.

Methodologically, this option can be either very difficult or very simple, depending on how the target is set. Setting the target is not *per se* complicated; rather, implementing a net reduction strategy on the basis of an overall net target requires a strong commitment both in political and administrative terms⁵³. The Commission services, along with the RSB, would need to ensure that the “delta” of compliance costs is quantified for all major new proposals introduced and pieces of legislation repealed, and this would lead to comprehensive reporting of the changes in compliance costs achieved in all relevant areas of the EU *acquis*. In turn, such a system requires that all services quantify and monetize compliance costs in a consistent way, based on guidance already available in the better regulation toolbox. Against this background, option 4A appears more methodologically feasible in the medium-term, and this is why the score attributed is low (••).

Much in the same vein, this option, while in line with some national experiences, might require some **time to implement** at the EU level, given the need to involve all policy areas and Commission services in the overall net reduction target⁵⁴. Training of officials would also have to be intensified, especially on cost quantification methods. Accordingly, the score attributed to this option is relatively low (••).

Finally, in terms of **compatibility with existing commitments**, this option appears in line with the existing framework, but goes beyond the existing commitment to proceed at sectoral level, and within the REFIT umbrella. Hence the score attributed is intermediate (•••).

Option 4B (Net reduction target on compliance costs for specific sectors identified within the REFIT strategy)

This option is slightly less **comprehensive** than option 4A, due to its sectoral focus. As already explained, however, if policy areas are selected in a way that reflects the actual distribution of regulatory costs, the difference in terms of comprehensiveness might be thin. The score is thus relatively high (••••).

In terms of **accuracy**, option 4B requires a level of cost quantification that that the Commission has not yet reached, although the Commission is not new to assessing both administrative burdens and substantive compliance costs, at least in some areas. The current lack of quantification of regulatory costs could also become at least a short-term obstacle to accurate

⁵³ Where present, a stock-flow linkage rule would require a level of top-down coordination and control that the European Commission might not currently be able to display, unless the Secretariat General or the Regulatory Scrutiny Board are fully empowered to locate possible candidate regulations for repeal across the various DGs, and as such manage the whole policy process by conditioning the adoption of proposals that have been already politically validated.

⁵⁴ This implementation might also require at least a pilot phase in which the Commission experiments with different ways of setting the target. Similarly, as discussed above, a stock-flow linkage rule (OIxO) option might prove more complicated to set up within a short time frame at the EU level, given the specifics of the policy process.

implementation of this option, to be overcome by intensifying the training initiatives aimed at fostering more quantification in Commission DGs, based on the existing better regulation toolbox. Based on the experience of some Member States (Germany, the Netherlands), however, it must be also considered that the mere existence of a politically set target and commitment has led to increased cost quantification: in a nutshell, while better data can be thought of as a precondition for better targets, the reverse can also be true. Accordingly, this option was given an intermediate score (•••) on accuracy.

The **methodological simplicity** of this option is higher than in option 3B above, given that no baseline measurement is needed. However, the challenge of quantifying compliance costs at the EU level should not be underestimated: in some cases the assessment of substantive compliance costs that is needed to implement net reduction targets can be a thorny exercise in a multi-level context like the EU, due to different compliance behaviours, as well as different enforcement strategies across the Member States. That said, under this option the European Commission would only need to secure a stronger adherence to the Toolbox, and the quantification of compliance costs could be facilitated by prioritising, among the policy areas considered as burdensome, the ones where some information on compliance costs is already available. From that moment onwards, the Commission could then measure only the “delta”, i.e. the difference between compliance costs introduced and removed by new legislation. The overall score is thus intermediate, and higher than in option 3B and 4A (•••).

As regards the **time needed for implementation**, it crucially depends on the depth of the exercise and scope of the exercise. If sufficient information is available for at least 2-3 policy areas among those selected as burdensome in REFIT, then the Commission could start the exercise already by the end of 2017. Otherwise, this option could become a useful follow-up to a pilot phase in which only administrative burdens are tracked in specific policy areas selected within REFIT (option 2B). This is why the score attributed is intermediate (•••).

Finally, this option is fully **compatible with the existing institutional and political framework**, which contemplates a sectoral approach and a significant impact on SMEs and innovation, within the REFIT framework and priorities. Hence the maximum score was awarded (•••••).

Option 4C (Net reduction targets on compliance costs specific policy areas selected based on data from CCAs)

Option 4C, as already explained, is equivalent to option 3C, since CCAs already imply a measurement of compliance costs in areas perceived as burdensome by the firms operating in the industry sectors under scrutiny.

Option 4D (Net reduction target on compliance costs for specific sectors based on data from Commission and Member States)

Under this option, the Commission would partly rely on Member States, possibly in the context of the REFIT government platform, to provide relevant evidence that would help define an

overall, realistic estimate of where the substantive compliance costs and administrative burdens are most significant in the EU *acquis*, and set meaningful net reduction targets in those areas. Again, should these data reflect superior information that Member States possess as regards the distribution of substantive compliance costs, the overall level of **comprehensiveness** would be high, and almost as high as in the case of option 4A, which by definition covers the whole relevant EU *acquis*. However, since most Member States have no experience with the mapping and reduction of compliance costs, this positive effect is unlikely to materialize (the related score is then ●●●). On that basis, the Commission would prioritize certain REFIT initiatives and would then set net reduction targets for each of the selected policy areas. The more information from Member States is accurate, the more the Commission's cost reduction exercise will be meaningful. Such a condition might end up becoming a stimulus for Member States willing to promote REFITs on specific policy areas of interest: they might end up adopting methodologies for the assessment of substantive compliance costs, which would make them more influential in this process. At the same time, it might dilute the level of commitment of the European Commission if responsibility for the overall implementation of the net reduction programme is not clearly allocated.

The degree of **accuracy** associated with this option is likely to be low, due to the fact that most Member States have no experience with mapping and reducing compliance costs (●). For what concerns **methodological simplicity** (●●), the Commission would anyway need to intensify its quantification of compliance costs for all proposals adopted in the policy areas selected in cooperation with Member States. It would be difficult to imagine cooperation with Member States in the ex ante assessment of the "delta" compliance costs for each new proposal tabled by the Commission. Finally, the **compatibility with existing commitments** of this option is negatively affected by the fact that existing commitments involve only the EU level, and more specifically the European Commission, not the Member States. Accordingly, the score is very low (●).

Other aspects

For the time being, we assume that this option will only focus on SCCs and ABs for businesses, given that most of the available data at both the EU and MS level are related to businesses. We also assume that the initial exercise will involve only the European Commission, since the Commission is the only institution that looks at compliance costs in a relatively systematic way, and the only institution that has committed to develop an annual burden survey.

Table 7. Scorecard table for option 4

Option 4 Net reduction targets for compliance costs	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Scorecard items				
Comprehensiveness	<p>●●●●●</p> <p>Very comprehensive: it focuses on all relevant EU acquis and both admin burdens and compliance costs</p>	<p>●●●●●</p> <p>Comprehensive: it focuses on the most relevant EU acquis and both admin burdens and compliance costs</p>	<p>●●●</p> <p>Relatively comprehensive: it focuses on the most burdensome rules as perceived by a selection of industry players, including both admin burdens and compliance costs</p>	<p>●●●</p> <p>Focuses on the most relevant EU acquis (based on MS data) and both admin burdens and compliance costs. Most MS do not map compliance costs..</p>
Accuracy	<p>●●</p> <p>Might be limited especially if targets are set politically. However there is no strong reason to expect accuracy to be lower than in option 3A</p>	<p>●●●</p> <p>Might be limited especially if targets are set politically. However there is no strong reason to expect accuracy to be lower than in option 3B</p>	<p>●●●</p> <p>Calculations have been made based on plant-level data for a representative sample of industry players in five sectors. However, the accuracy of these estimates for all industries might not be as high. Also, it would be costly to scale-up the exercise to many more industry sectors.</p>	<p>●</p> <p>It might be difficult to agree on targets and policy areas based on MS data, which are often lacking</p>
Methodological Simplicity	<p>●●</p> <p>Targets would be set mostly politically, which is relatively simple methodologically. The follow up tracking of compliance cost however requires increased use of the existing toolbox</p>	<p>●●●</p> <p>Targets would be set mostly politically, which is relatively simple methodologically. Tracking compliance cost in selected areas requires increased use of the existing methods</p>	<p>●●●</p> <p>The baseline is already in place for specific sectors and policy areas, would take effort to extend to other sectors in the future due to the magnitude of CCA studies</p>	<p>●●</p> <p>The Commission would retain responsibility for assessing the “delta” after choosing areas with MS. Most MS have no specific information on where compliance costs are in the EU acquis.</p>
Timely implementation	<p>●●</p> <p>Depends on whether targets are set politically in an evidence-based way. Overall, agreeing on targets for all the EU acquis would take some time</p>	<p>●●●</p> <p>Target-setting in selected REFIT areas can be done more swiftly than for the whole acquis. However, there is no previous experience on sectoral targets</p>	<p>●●●</p> <p>The baseline for selected sectors and areas is already available, might take time and effort to extend to other sectors/areas</p>	<p>●●</p> <p>Agreeing on targets and measures based on Member States data might take significant time, and would be politically difficult</p>
Compatibility with existing commitments	<p>●●●</p> <p>Goes beyond the existing commitments, as it covers all relevant EU acquis and not selected areas. More compatible than 3A as it does not require measurement</p>	<p>●●●●●</p> <p>Falls within REFIT, it covers admin burdens and compliance costs for most burdensome areas</p>	<p>●●●</p> <p>Compatible with existing commitments, but falls outside REFIT, and only refers to policy areas that specific industry players indicated as burdensome</p>	<p>●</p> <p>Existing commitments do not imply cooperation with Member States</p>

2.5 Mapping dominated and non-dominated options

To avoid giving arbitrary weights to the five chosen criteria or undesirable double counting of impacts, this analysis and the resulting table were used only for the purpose of mapping and eliminating all those options that score no better than one or more other options across all five criteria, and score worse on at least one. The un-eliminated options are highlighted in green in table 8 below.

Table 8. Scorecard analysis of the main options

Option 1 <i>Measurement and net reduction targets for administrative burdens</i>	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Comprehensiveness	••	•	•	•
Accuracy	•••	•••	••	••
Methodological Simplicity	•••	•••	••	•
Timely implementation	•	••	•••	•
Compatibility with existing commitments	••	••••	••	•
Option 2 <i>Net reduction targets for administrative burdens (no baseline)</i>	A All (major) EU legislation	B Sectoral, based on REFIT	C* Sectoral, based on CCAs	D Sectoral, based on MS data
Comprehensiveness	••	•	•	•
Accuracy	•••	•••	••	••
Methodological Simplicity	••••	•••••	••	••
Timely implementation	•••	••••	•••	••
Compatibility with existing commitments	••	••••	••	•
Option 3 <i>Measurement and net reduction targets for all compliance costs</i>	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Comprehensiveness	•••••	••••	•••	••••
Accuracy	••	•••	•••	••
Methodological Simplicity	•	••	•••	•
Timely implementation	•	••	•••	•
Compatibility with existing commitments	••	••••	•••	•
Option 4 <i>Net reduction targets for compliance costs (no baseline)</i>	A All (major) EU legislation	B Sectoral, based on REFIT	C* Sectoral, based on CCAs	D Sectoral, based on MS data
Comprehensiveness	•••••	••••	•••	•••
Accuracy	••	•••	•••	•
Methodological Simplicity	••	•••	•••	••
Timely implementation	••	•••	•••	••
Compatibility with existing commitments	••••	•••••	•••	•

* Options 1C and 2C, and option 3C and 4C, are identical.

In table 8, many options are clearly dominated by others. By excluding all options that are dominated by at least one other option in the grid, it is possible to reduce the complexity of the analysis and focus only on the options that stand out for one reason or another. A quick scan of the options shows that three options can be retained for further analysis. They are reported in the summary table below, with their related scores.

Table 9. Shortlisted options

Option	2B	4A	4B
Comprehensiveness and overall impact	•	•••••	••••
Accuracy	•••	••	•••
Methodological Simplicity	•••••	••	•••
Timely implementation	••••	••	•••
Compatibility with existing commitments	••••	••••	•••••

From this analysis, it seems each option has a particular strength over others (highlighted in green in table 8 above):

- **Option 4A is the most comprehensive and impactful**, but may require a longer more time for implementation due to the need to build capacity on the quantification of compliance costs inside the Commission.
- **Option 2B, which focuses on net reduction targets on administrative burdens within REFIT, is the simplest one**, as it requires the setting of targets (mostly political) and the monitoring of the stock through use of the SCM. It is also the one that can be implemented in the timeliest way.
- At the same time, its extension to compliance costs (**option 4B**) appears **more comprehensive, impactful and compatible with existing commitments** than option 2B, and may not require much more time for implementation.

3. Analysis and in-depth discussion of the most feasible and coherent option

This section analyses the existing shortlisted options as shown in Table 9 above, and discusses them from the viewpoint of “feasibility” as defined in box 1 at the beginning of this Study, thus incorporating a methodological, procedural and political dimension. A “winning” option is proposed in Section 3.1, which provides an optimal combination between these dimensions. In addition, section 3.2 discusses a number of possible implementation challenges for such preferred option, which add to the ones considered in Section 2 above. These include: (i) the choice of whether to adopt a percentage or an absolute net reduction target, a stock-flow linkage rule or a combination thereof; (ii) the desirability of covering businesses/SMEs, citizens, public administrations; (iii) possible changes needed in the better regulation

guidelines/toolbox; (iv) possible adjustments needed in the governance of the net reduction target, including the role of other EU institutions, existing platforms (e.g. REFIT platform) and various services inside the European Commission (e.g. JRC, Eurostat); and (v) problems related to the timeline and monitoring/reporting of results.

3.1 Looking for the most feasible and coherent option: towards a hybrid, sequential solution

As already mentioned in the previous sections of this Study, a political commitment exists towards assessing the feasibility of establishing reduction targets on regulatory costs, in specific sectors, within the REFIT agenda. Section 2 above has asked the question: “what is feasible?” The easy answer is that setting a net reduction target is feasible, and some specific approaches appear to be more cost-effective and coherent with the existing political commitments than others. This section tries to go beyond the mere feasibility assessment, to identify the individual option that appears to be not only feasible, but also impactful and coherent with the timeline and scope of the existing commitments.

Looking at Table 9 above, the simplest option appears to be option 2B, which relies on the REFIT agenda and leads to the introduction of sectoral net reduction targets related to administrative burdens only. This option also might lead, especially if combined with data from all existing studies and assessments/evaluations even outside REFIT, to starting the net reduction target programme already at the end of 2017 in specific sectors. However, such an option would not be particularly impactful, as past experience has revealed that often, administrative burdens are only a tiny subset of overall compliance costs. At the same time, implementing it would represent a first, clear step showing commitment to reduce regulatory costs to businesses.

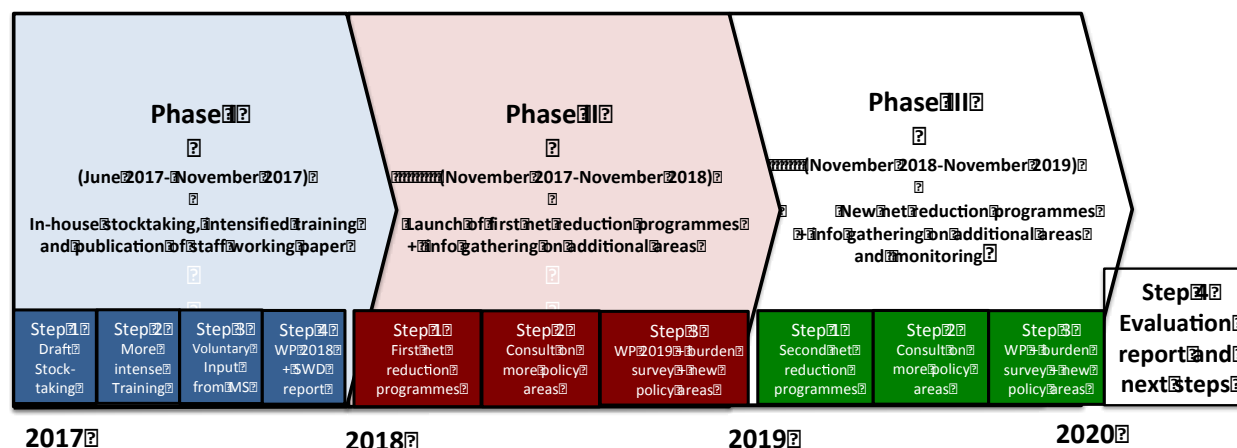
On the other hand, option 4B appears to be much more comprehensive in scope and more impactful on the overall stock of regulatory costs, but it might take a bit longer to implement since Commission services have not demonstrated a significant ability to quantify and monetize compliance costs in the past years, and despite the existence of a dedicated methodological section in the better regulation guidelines, more supervision and commitment would be needed to get to a significant level of monetization within a short timeframe.

Finally, it remains important to note that the most comprehensive, yet harder to implement in the short term, option would be 4A, i.e. the setting of a net reduction target for compliance costs for the whole (relevant) EU *acquis*: over time the Commission’s net reduction programme should reach a level of maturity in which all the EU *acquis* that is relevant for regulatory costs is potentially covered.

Against this background, the path towards the optimal solution could be imagined as a combination of the options considered above, both in terms of time sequence and overall scope. Below, we imagine four main steps in what is envisaged as a sustainable path toward developing a strong cost reduction framework in the European Commission in the medium

term. Figure 2 below shows the proposed timeline and the three phases, which are described in more detail below.

Figure 2. A 3-phase timeline for implementing net reduction targets



- **Phase I (June 2017–November 2017) Stocktaking**

- Step 1. *The European Commission starts a limited stocktaking exercise, aimed at collecting available information on the policy areas that are expected to be most burdensome, and within those areas the regulatory obligations that are considered as particularly costly. This exercise would rely in particular on data and information on regulatory costs generated by recent *ex ante* and *ex post* policy evaluations, including externally commissioned studies. The result would be a rough initial “heat map” of regulatory costs, which can provide an indication of the policy areas in which such costs are mostly present. More specifically, the report would highlight: (i) the policy areas that are considered most burdensome for businesses, and in particular SMEs; and (ii) within those areas, the ones where more information is available on the pieces of legislation and the information or substantive obligations that are most costly for businesses, and the ones where such information is lacking. This would in turn allow for an educated guess for the setting of sectoral targets followed by sectoral reduction strategies.*
- Step 2. *This effort is accompanied by an intensification of the Commission’s efforts to train officials and promote quantification of regulatory costs in all impact assessments, evaluations and REFIT studies. Such effort is already ongoing, and would need to continue throughout the timeframe considered in this proposal.*
- Step 3. *Member States contribute to the exercise by providing feedback on a draft of the stocktaking report based on their own information: this would be*

done on a voluntary basis and within a given timeframe (e.g. 60 days between August 1 and September 30).

- Step 4. *The Commission issues the stocktaking report, e.g. in the form of a Staff Working Paper (SWP).* The SWP forms the basis to set sectoral net reduction targets and to allow for the launch of reduction activity by end 2017. A specific assessment is made in the SWP as to the availability of sufficient information to select effective reduction measures with a broad focus (e.g. compliance costs), or to start the net reduction programme with at first administrative burdens only: in case of the latter, the SWP clarifies which initiatives will be undertaken for the future broadening of the approach and how reporting on its progress will occur. The report also becomes an input to the definition of REFIT initiatives to be included in the Commission's Work Programme for 2018.

Phase II. (November 2017-November 2018) launch of overall net reduction target and first sectoral reduction strategies

- Step 1. *The Commission announces the launch of net reduction targets and a net reduction programme/agenda* in a limited number of policy areas (e.g. three areas), which the Phase 1 stocktaking report identified as both (i) significantly burdensome for businesses (and particularly for SMEs); and (ii) characterized by available information on which existing rules are most burdensome and in need of simplification. These areas are listed in the REFIT scoreboard and incorporated in forthcoming REFIT initiatives to be carried out during 2018. For each area, both "low hanging fruits" (to be prioritized in 2018) and medium-term initiatives (to prepare during year 2019) are identified. The targets should be set as "net" targets within the chosen areas: this implies that the Commission keeps track of the "delta". i.e. both the regulatory costs that are added to, and those that are removed from, the regulatory stock in the chosen policy areas. Such activity will require that the Commission regularly quantifies regulatory costs in the *ex ante* impact assessments that will be performed on all proposed reforms in the chosen areas: these documents will have to include a specific analysis of the changes in the stock of regulatory costs.

- Step 2. In December 2017, the Commission also launches a *survey on regulatory costs on other policy areas chosen among those that were indicated in the stocktaking report as burdensome, and for which insufficient information was available to start immediately a cost reduction strategy.* This activity is needed to allow for such reduction targets and strategies to be launched in the following year. The Commission can use both the "Lighten the Load" platform and the REFIT platform in order to gather additional information as regards possible obligations that generate very high regulatory costs or are

irritating for businesses and SMEs. In addition, and if needed, the Commission should also carry out additional research.

Step 3. As a result of step 3, *new policy areas are selected for inclusion in the 2019 Commission Work Programme*. The presentation of the 2019 Work Programme in November 2018 coincides with the publication of:

- *The first Annual Burden Survey;*
- *A list of initiatives expected in the areas selected in November 2017.*
- *A list of new areas* where surveys will be conducted within Lighten the Load and discussions will be held in the REFIT platform (in January 2019), and low-hanging fruits will be acted upon already during 2019.

Phase III. (November 2018-November 2019) Additional reduction targets and monitoring

Step 1. *The Commission announces in November 2018 the launch of new net reduction targets and strategies* in additional policy areas identified as both significantly burdensome for businesses (and particularly for SMEs); and where relevant reduction measures can now be identified. These areas are listed in the REFIT scoreboard and incorporated in forthcoming REFIT exercises to be carried out during 2019.

Step 2. In December 2018, the Commission also launches a *survey on regulatory costs in an additional set of policy areas that are considered as burdensome, but still lacking sufficient information to allow for a detailed cost reduction strategy*. The Commission uses both the “Lighten the Load” platform, and the REFIT platform in order to gather additional information as regards possible obligations that generate very high regulatory costs or are irritating for businesses and SMEs.

Step 3. Based on the previous Step, during the year other areas are selected for inclusion in the 2020 Work Programme. The presentation of the Work Programme coincides with the publication of:

- *The second Annual Burden Survey;*
- *A list of initiatives expected in the areas selected in November 2017 and 2018.*
- *A list of new areas* where surveys will be conducted within Lighten the Load and discussions will be held in the REFIT platform (in January 2020), and low-hanging fruits will be acted upon during 2020.

Step 4. *The Commission presents in November 2019 a report on the first two rounds of reduction strategies*, which leads to: (i) taking stock on the results obtained; (ii) a decision on whether to adjust the scope of the reduction programme (e.g. if it was only limited to administrative burdens, whether to

expand it; if only limited to businesses, whether to involve citizens and public administrations); (iii) a decision on whether and how to involve other EU institutions; (iv) a decision on whether to scale the programme up to the whole relevant EU *acquis*, and set an overall net reduction target for the whole EU *acquis* for the subsequent period (e.g. 2020-2024).

This path is possible and reasonably impactful (especially if the sectoral targets include compliance costs and not just administrative burdens) and coherent with existing commitments (see Box 1 above on the definition of “feasible”). However, there are several challenges and risks that would need to be overcome and faced during the implementation phase, which are described in the next Section.

3.2 Selected risks and implementation challenges for the preferred option

In this Section we explore a number of possible challenges and risks that implementing our preferred option might present over the coming months.

3.2.1 *Getting the data: would a large collection exercise be needed?*

The European Commission has experimented with in-depth impact assessments of proposed new legislation since 2003. Even if the degree of quantification of impacts is not particularly high in the Commission (as partly also justified by the broad scope of the exercise), there is a certain share of existing impact assessments, which have delved into some form of cost assessment. For administrative burdens, this percentage has been significant since 2007, reaching more than 75% of impact assessments on binding pieces of regulation in 2010 (Fritsch et al. 2012). And even if the use of the SCM has not been very systematic over the past years, there is certainly very valuable information that could be extracted from at least a fraction of the more than 1,000 impact assessments completed to date by the European Commission services. This information typically remains hidden in the impact assessment document, and is not reused in subsequent assessments or evaluations by the European Commission. Some of it may of course be outdated and not reusable, but a fraction of it is likely to prove useful in supporting future quantification exercises.

Similarly, the number of ex post evaluations carried out by the Commission since 2009 is very significant. And even if the conceptual framework for evaluation is not essentially tied to the original ex ante impact assessment (which is understandable, also since the impact assessment does not reflect the initial proposal approved by EU institutions), regulatory costs are sometimes quantified, especially through the “efficiency” pillar of the evaluation. “Useful” ex post evaluations in this respect are expected to be less numerous than the impact assessments, but are worth being analysed with a view to building a repository of pre-assessed information obligations and substantive obligations. This requires a careful analysis of documents that have

been mostly produced by external contractors, and are listed in a single database kept by the European Commission⁵⁵.

In addition, fitness checks/REFIT initiatives can represent a source of information that could help set up an initial database and mapping of particularly burdensome areas or obligations. In some cases information can be found both in the fitness checks themselves, and in the submissions to public consultations⁵⁶. Sometimes information is also made available directly through the REFIT platform.

Moreover, the Commission has the possibility of consulting the JRC, which carries out studies that often touch upon relevant categories of costs. One good example is the recent EC-JRC study on “Non-harmonised food contact materials in the EU: Regulatory and market situation”, published in 2017, which contains valuable information on administrative burdens and compliance costs. Other JRC studies (e.g. the 2009 study on “End of Waste criteria”) contain information about unnecessary burdens. Given the wealth of information included in these studies, it would be important for the European Commission, Regulatory Scrutiny Board to ask the JRC to come up with an analysis of the type of information they have collected over the past few years, and of how this information can be put to use in future cost reduction programmes.

Finally, as already mentioned several times, ready-to-use information on both administrative burdens and compliance costs is available in the so-called Cumulative Cost Assessment studies. The advantage of these studies is that most of them (at least three out of four large studies conducted so far) strictly follow the definition of costs and benefits of regulation contained in the better regulation guidelines/toolbox and illustrated in Figure 1 of this Study; and are reasonably recent (2013 onwards). Even if CCA-based options were not eventually selected as the “preferred option” presented in Section 3.1 above, CCAs can still provide extremely valuable information and data, especially if the European Commission will decide to commission a “horizontal” analysis of their findings⁵⁷.

All in all, there seems to be enough information available to the European Commission to build a first mapping of regulatory costs: once the exercise has been completed, and as already proposed in Section 3.1 above, a decision could be made as to whether the initial net reduction

⁵⁵ As an anecdotal example, the ex post evaluation of Regulation 1071/2009 on admission to the occupation of road transport operator, and Regulation 1072/2009 on common rules for access to the international road haulage market contains an assessment of compliance costs. See <http://ec.europa.eu/transport/sites/transport/files/facts-fundings/evaluations/doc/2015-12-ex-post-evaluation-regulations-2009r1071-and-2009r1072.pdf>

⁵⁶ See e.g. http://ec.europa.eu/environment/consultations/pdf/summary_reporting.pdf. Or the fitness check of the Birds and Habitat Directive.

⁵⁷ Moreover, these studies have also led to follow-up studies such as the reports on “The Composition and Drivers of Energy Prices and Costs in Energy-Intensive Industries: The Case of Ceramics, Glass and Chemicals”, published in 2014.

programme would cover only administrative burdens, or could extend to include compliance costs.

3.2.2 *Net reduction targets v. Stock-flow linkage rule*

One important decision that would have to be made while implementing the preferred option is whether to adopt:

- A net reduction target in percentage terms (e.g. 25%);
- A net reduction target in absolute terms for each area (e.g. 0.5 billion Euros for policy area x);
- A net reduction target in absolute terms for all selected areas, without allocating specific figures to specific areas (e.g. 2 billion Euros for the three policy areas selected in 2017);
- A stock-flow linkage rule such as “one in, x out”.
- A combination of the above (where possible).

In this respect, it is worth reminding that percentage reduction targets require an understanding and reasonable assessment of the 100%, which is going to be very difficult (let alone useful) in this context, also since the preferred policy option illustrated in Section 3.1 does not entail any baseline measurement. Accordingly, the first possibility is not consistent with the type of programme proposed in this Study. On the other hand, in case enough information is available to the Commission, the *best option would be to specify reduction targets for each area*, in a way that reflects the potential for cost reduction emerging from the data and surveys/discussions.

As regards stock-flow linkage rules, the sector-specific approach adopted in the preferred option would likely create problems during the implementation phase. Experts interviewed during the drafting of this study have made it clear that this instrument works particularly well when applied in a whole-of-government way rather than on a sectoral basis (see above, on national experience). In this case, the Commission would need to introduce a “one in, x out” (with $x > 1$) rule for those areas that are covered by the net reduction programme only, and this would create tensions with areas that are not covered: it would also make it difficult to locate possible rules that could be repealed outside the areas selected. To be sure, a general OI_xO rule could be introduced in the European Commission to encourage all services to start mapping and evaluating their regulatory stock: however, such a rule would fall outside existing commitments, and as such is not fully analysed in this Study. The same applies for all combinations that involve a OI_xO rule.

All in all, the preferred solution would be to set individual reduction targets for each policy area covered by the reduction programme, and sum them up to build the reduction target to achieve through reform in the subsequent years, with a clear timeline.

3.2.3 *Covering only businesses or also citizens and public administrations?*

As already explained throughout the Study, net reduction programmes in many countries are exclusively focused on businesses, and often even more directly focused on SMEs, which are typically disproportionately hit by certain types of regulatory costs. Needless to say, the more a reduction programme is comprehensive and covers also citizens, the greater its impact on the economy. At the same time, there is more evidence backing the assumption that regulatory costs hamper competitiveness in the case of businesses than in the case of citizens. And there is generally much more information and data available to map regulatory costs for businesses than for citizens. Accordingly, it seems reasonable to assume that the initial reduction programme could only start in 2017 if it focused on businesses.

That said, the Commission could consider running parallel exercises such as “life events” surveys for citizens during the implementation of the first phases of the reduction programme, with a view to scaling up the programme after 2020 to include citizens, and possibly also public administrations. Including the latter would indeed require enhanced cooperation with Member States, and accordingly would fall outside the preferred option considered in Section 3.1 above.

3.2.4 *Are changes needed in the better regulation guidelines?*

The preferred option illustrated in Section 3.1 above does not require any specific change in the existing better regulation guidelines. To the contrary, it capitalizes on the better regulation toolbox, which already contains extensive guidance on how to quantify and monetize regulatory costs. However, to the extent that the Commission will be able to collect valuable information on existing regulatory costs related to individual pieces of legislation, it would be highly advisable to complement existing guidelines with a repository of indicators and data that could be reused over time by the services in quantifying and monetizing more quickly and easily regulatory impacts. The help of the JRC and/or Eurostat could be extremely valuable in this respect, and could lead to the collection and accumulation of two types of data:

- Data on regulatory costs (e.g. charges, administrative burdens, substantive compliance costs, inspection and enforcement costs) associated with regulatory obligations rooted in EU legislation;
- Information on parameters that could be used to proceed towards quantification of specific costs (e.g. BAU factors, wage costs, overheads, CAPEX, OPEX, financial costs, WACC, pass-on rates, and many more).

The intensified training sessions envisaged in our three-phase timeline could be designed to make the most out of these existing data, with officials being increasingly able to tap into existing resources to monetize regulatory costs more quickly and effectively.

3.2.5 Are governance changes needed?

Related to the previous issue is that of possible adjustments in the EU governance needed to accompany the net reduction programme. In this respect, most of the more disruptive changes in the current governance of the better regulation agenda have been already ruled out by selecting a “preferred option” that ensures a timely implementation (by end of 2017). By definition, no big governance transformations or adjustments are possible, within such a short time frame, and they would also not be needed in order to get started with the net reduction programme. However, going forward a number of potential governance challenges and dilemmas might become advisable:

- *Whether to appoint an external, independent body in charge of monitoring the implementation of the cost reduction strategy.* Given the existence of the REFIT platform, and the fact that that platform replaced *i.a.* the role of the “Stoiber Group”, it would seem premature to require the reinstatement of an external oversight body. However, by the end of the decade such decision could come back to the table, should Member States find that the overall process lacks sufficient oversight.
- *Whether the role of the Regulatory Scrutiny Board should be strengthened,* in particular for what concerns the possibility to push administrations to provide regulatory cost quantifications based on a standardized methodology whenever possible. Rather than a substantial change in governance, this would require an enhanced political commitment from the First Vice President, who could officially, strongly back the RSB in its efforts to seek quantifications from the services; and an earlier involvement of the RSB in the preparation phase of the impact assessments, including a specific exchange during the consultation on the inception IA.
- *How to involve all relevant services of the European Commission and other EU institutions.* As already explained, the contribution of the JRC and Eurostat appears essential since the inception phase. At the same time, the programme would be most effective if not only the European Commission, but also the European Parliament and the Council were involved, and had to consider reduction targets when introducing amendments to Commission proposals. However, this possibility is not realistic within a short timeframe: if anything, in future evaluations of the impact of reduction proposals, the Commission could take note of possible reductions that either materialized, or failed to materialize, as a result of a subsequent amendment by another institution during the ordinary legislative procedure⁵⁸.
- *The European Court of Auditors* could schedule an ex post evaluation of the net reduction programme at the beginning of the next decade. Contrary to what occurred in the previous evaluations of the impact assessment system (2007) and of the Commission’s ex post evaluation system (ongoing), the ECA could be involved early on in the process,

⁵⁸ Ideally, the Commission could make clear in the annual burden survey which amendments significantly affected the level of compliance costs.

to ensure that its key concerns and evaluation questions are incorporated in the design of the programme.

In summary, for the first, 2017-2020 phase of the reduction programme no significant changes in governance would be needed, if not a strengthening of the RSB efforts towards cost quantification, and an early involvement of all relevant services of the Commission and the ECA in the process.

3.2.6 Timeline for monitoring, reporting and evaluation of results

The timeframe proposed for the preferred option is feasible, but admittedly tight. Importantly, most reforms would need to go through the ordinary legislative procedure, and accordingly a two-year framework for achieving the results might prove too ambitious. This is not necessarily affecting the feasibility of the proposed timeline, which is merely linked to the adoption of the proposals by the European Commission; however, it might affect the timeline for the ex post evaluation of results. A feasible timeframe for that implies that the results obtained with the first two years of reduction proposals are reported at the end of 2019 but then the impact of the reforms adopted is evaluated in 2022, by incorporating feedback from Member States and stakeholders.

On the other hand, reporting has already been described with respect to the Annual Burdens Surveys, which could be published alongside with the Commission's work programme, every November for the following year. Reporting could ideally follow the example of some Member States such as Germany, which use infographics accompanied by an indication of which reforms created discontinuities in the stock of regulatory costs. These could be developed even without including clear information on the baseline, by simply showing the "delta", i.e. the differences introduced in regulatory costs over time.

The proposed multi-step approach will have to be politically supported over a reasonably long time frame, in particular to enable the transition from a focus on administrative burdens and specific sectors, towards a broader scope and the management of an overall reduction target. Over time, the involvement of other EU institutions such as the European Parliament, the Council, and the European Court of Auditors is important to ensure that the Commission is not left alone in its effort to reduce regulatory costs. At the same time, the ongoing involvement and consultation of stakeholders is essential to avoid that the proposed reduction strategies remain essentially in the domain of experts. The best way to ensure ownership and support at both the highest political level and the stakeholder community is to achieve results over time, and communicate them in a timely, effective and evidence-based manner. This also appears to be an important precondition to make sure that the next European Commission, which will take office at the end of 2019, decides to endorse and further promote the proposed net reduction strategy as an example of what the EU can deliver for its businesses and citizens.

3.3 Concluding remarks: towards a new-generation better regulation agenda in Europe?

This study has explored the feasibility of a number of possible options for the setting of net reduction targets on regulatory costs in Europe. Rather than proposing cost reductions as the only focus for better regulation in Europe, the study focuses on a specific dimension of better regulation, i.e. regulatory costs, seeking to explore those options that would maximise impacts, in particular for European businesses, in the shortest time possible, and in the most cost-effective way possible. The proposed option would, of course, require some adjustment at the EU level, but no major changes in the governance of better regulation, and no additional methodological efforts such as changes in the better regulation guidelines/toolbox. As a matter of fact, the existing toolbox can be considered as very advanced, and certainly adequate to provide Commission officials with the information and guidance they need to proceed towards the quantification and monetization of regulatory costs.

From theory to practice, however, the transition will certainly require an effort by the Commission officials in charge of impact assessments and evaluations, especially within the REFIT programme. More training on how to quantify and monetize costs, and more behavioural/procedural incentives for officials to provide such quantifications would be needed in order to achieve this result: this is why some Member States have called for the adoption of targets and stock-flow linkage rules: rather than for their inherent algebraic features, these mechanisms have proven to be effective in triggering a change of mindset inside the administration, and by forcing more evaluation of existing rules and more quantification of new proposals in what can be defined a heightened burden of proof for regulatory measures. In the European Commission, such mechanisms can be put in place with attention to spurring more cost-awareness, rather than to inhibit highly deserving regulatory initiatives. This would be a highly useful exercise, even more if framed within a more general attempt to produce, share and reuse data on the impact of EU policies on social welfare.

That said, it is important to recall that the net reduction strategy proposed here is not meant to shift the attention of the better regulation agenda from benefits to costs. Both the benefits and costs of regulation are essential, and indeed regulatory initiatives are introduced because of their potential beneficial impact. Accordingly, this Study and the proposal it contains do not at all intend to shift the focus of the EU better regulation exclusively towards costs. The need to pursue the 10 priorities of the European Commission within the REFIT agenda is a clear guarantee of this process, and the future plans to mainstream Sustainable Development Goals into the EU policy process stand out as clearly referring to the ultimate impacts generated by EU regulation. In that context, the setting of net reduction targets can contribute to an enhanced attention towards avoiding the imposition of unnecessary costs on businesses and later, on citizens, which in itself fosters societal welfare.

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Annex I. Questionnaire for national authorities

Feasibility Study on the Introduction of EU Reduction Targets on Compliance Costs

Questions for national authorities

Andrea Renda

6 March 2017

Please answer the following questions: a brief explanation for each question is available in the Annex at the end of the questionnaire.

1. National regulatory cost reduction strategy

- 1.1. *Does your country have a national regulatory cost reduction strategy? If yes, since when?*
- 1.2. *Is the strategy part of a broader better regulation agenda?*
- 1.3. *Does the cost reduction strategy focus on administrative burdens only, or also on compliance costs, enforcement costs or other categories of costs?*
- 1.4. *Does your cost model focus only on costs faced by businesses or also citizens, and/or public administrations?*
- 1.5. *Does the strategy focus on secondary legislation/regulation, or also on primary laws?*
- 1.6. *Does the strategy apply to specific industry sectors or policy areas?*
- 1.7. *Does the strategy include both ex post evaluation and ex ante analysis of new legislation/regulation*
- 1.8. *Did the strategy imply a baseline measurement?*
- 1.9. *Does your model entail stock-flow linkage rules such as “one in, one out” or “one in, two out”?*
- 1.10. *Has the government in your country adopted cost reduction targets?*
 - 1.10.1. *If yes, please describe*
 - 1.10.2. *If yes, have you introduced reduction targets also for sub-national governments (e.g. regions, provinces, municipalities)*
 - 1.10.3. *If yes, have you set reduction targets also for measures that transpose EU legislation?*

2. Reduction targets at the EU level

2.1. Should the European Commission set NET reduction targets at the EU level?

- ☐ Yes, on all its legislation
- ☐ Yes, on major legislation
- ☐ Yes, on business-related legislation
- ☐ Yes, but only in specific sectors
- ☐ Yes, but only in specific policy areas
- ☐ No
- ☐ Other _____

2.2. Should the European Commission set reduction targets on:

- ☐ Administrative burdens
- ☐ Compliance costs
- ☐ Enforcement costs
- ☐ Other _____

2.3. Should the European Commission set targets related to its own proposals, on finalized EU legislation or on national transposition measures (where appropriate)?

- ☐ On its proposals
- ☐ On final EU legislation
- ☐ On transposition measures

2.4. Should the Commission coordinate with Member States and exchange data with them in setting and monitoring reduction targets?

- ☐ Yes
- ☐ No
- ☐ Partly

2.5. Which initiatives/instruments should provide the basis for the Commission programme?

Initiative/instrument	Very important	Less important	Not important
REFIT/Fitness Checks			
Ex ante impact assessments			
Ex post evaluations			
Cumulative cost assessments/competitiveness studies			
Perception surveys (e.g. top ten most burdensome rules for SMEs)			
Survey related to "life events"			

If you think other instruments or initiatives would be useful, please explain:

3. Should the Commission couple the net reduction targets with:

- An annual burden survey
- A “OIOO” or “OITO” rule
- Other (explain)

2.7. Should the European Commission differentiate targets based on:

- Policy area
- Industry sector
- Other (explain):

2.8. Should other EU institutions (European Parliament, Council, Committee of the Regions, Eurostat) participate in the setting and monitoring of reduction targets?

2.9. Should Member States participate in setting targets and measuring cost reductions?

2.10. Should Member States exchange data with the European Commission for the purposes of measuring and achieving cost reductions?

2.11. Do you think the European Commission could start setting and monitoring reduction targets already in 2018?

- Yes, the whole exercise
- Yes, starting with administrative burdens and then moving to compliance costs
- Yes, starting with some sectors and then expanding to the whole economy
- Yes, starting with some policy areas and then expanding to all the relevant EU acquis
- Yes, but only with pilot projects
- No

2.12. What specific arrangements would you introduce to ensure that the whole exercise is effective, and not overly burdensome for EU and national institutions?

○ *If you have other comments or observations related to the feasibility of setting reduction targets at the EU level, please don't hesitate to insert more text in this box.*

- [illegible]

Annex II. Guide for the respondents

1.1. Does your country have a national regulatory cost reduction strategy? If yes, since when?

Here we are mostly looking for information on the existence of a common methodology (e.g. the Standard Cost Model) for the reduction of regulatory costs; the existence of a general target (e.g. reducing administrative burdens for businesses by 25% within five years; and governance arrangements (e.g. a dedicated independent oversight was created to oversee this process).

1.2. Is the strategy part of a broader better regulation agenda?

For example, the European Commission has pursued reductions of administrative burdens as part of a broader better regulation agenda that included the use of ex ante impact assessment, ex post evaluations, minimum standards for public consultation, REFIT initiatives, etc. This strategy has recently led to publishing integrated better regulation guidelines.

1.3. Does the regulatory cost reduction strategy focus on administrative burdens only, or also on compliance costs, enforcement costs or other categories of costs?

Some countries focus their cost reduction efforts mostly or exclusively on administrative burdens, whereas others (e.g. the Netherlands, Germany) look beyond administrative burdens to focus on a broader set of costs, such as substantive compliance costs, enforcement costs faced by the private sector, enforcement costs faced by public authorities, etc. Please clarify which of the above scenarios, if any, applies to your country.

1.4. Does your cost model focuses only on costs faced by businesses or also citizens, and/or public administrations?

Most countries seem to focus exclusively on regulatory costs faced by businesses. However, some countries also include citizens or administrations.

1.5. Does the strategy focus on secondary legislation/regulation, or also on primary laws?

It is important that you clarify if primary laws are subject to measurement and reduction strategies, or if such measurement and strategy only apply at the level of government. For example, in the Netherlands both primary and secondary legislation is subject to analysis, but regulations issued by enforcement authorities are generally not included.

1.6. Does the strategy apply to specific industry sectors or policy areas?

Please clarify if the cost reduction strategy applies across all industry sectors, business-relevant industry sectors or policy areas, or to all legislation without restrictions. For example, in the Netherlands and in the UK the net reduction targets apply to business-relevant legislation only. In the Netherlands, these are coupled with a sectoral approach, in which a more in-depth analysis of specific sectors deemed very important for the Dutch economy is carried out.

1.7. Does the strategy include both ex post evaluation and ex ante analysis of new legislation/regulation

Please clarify if the strategy relies on the ex ante measurement of the burden generated by new obligations, or if it relies also on retrospective review of single rules or group of rules. For example, in the Netherlands the system is based mostly on ex ante analysis.

1.8. Did the strategy imply a baseline measurement?

Most countries have used the Standard Most Model by relying on a first, one off, comprehensive baseline measurement aimed at mapping and measuring the administrative burdens generated by a large amount of legislation or regulation. The Netherlands, the Czech Republic, Germany, the UK, Denmark have undergone such measurement in the mid- to late 2000s, but some of them have later abandoned the use of baseline measurements in the subsequent versions of their models. For example, today the Netherlands relies only on a net reduction target, but not on maintaining a comprehensive baseline: this implies that only “pluses” and “minuses” in regulatory burdens are tracked, not the whole nominal amount of burdens.

1.9. Does your model entail stock-flow linkage rules such as “one in, one out” or “one in, two out”?

Has your country formally adopted a “one in, one out”, or a “one in, two out” rule? If yes, it would be interesting to know: (i) if the rule applies to the number of regulations, or to the amount of costs to be offset whenever a new regulation introduces new costs; (ii) what governance arrangements are in place to ensure compliance with this principle; and (iii) what problems have emerged in the implementation of this rule so far.

Two examples:

- In the Netherlands there is no such rule, there is only a net reduction target which implies that new regulatory costs are offset by cost reduction measures, regardless of how many regulations are repealed or revised to obtain this result. The focus is then on the volume of costs, not on reducing the number of rules.
- In the UK there is a one in, two out rule, which implies that “when policymakers do need to introduce a new regulation, and where there is a cost to complying with that regulation, they have to remove or modify an existing regulation with double the cost to business”. This means that the also UK system is referred to the volume of costs, rather than the number of regulations.

1.10. Has the government in your country adopted cost reduction targets? (Yes/no)

If your country has adopted net reduction targets, it would be important if you could provide a definition of how the target is defined and administered. For example, in the Netherlands, the target amounts to reducing regulatory costs by 2.5 bn Euros by 2017 compared to 2012 levels, which entails approximately an average reduction of 0.5 bn Euros each year. It is also important that you clarify what methodological arrangements are in place to reflect the impact of new regulation on such burdens (e.g. do you consider time lags to reflect gradual compliance? Learning curves to reflect gradual familiarization with the new burdens? Consideration of cumulative burdens across regulations?). In this question, we also ask you to clarify if the target works also for sub-national government levels, and covers to some extent also EU law. For example, in the Netherlands so-called “Category B” costs are included in the analysis, reflecting costs generated by the national implementation of EU legislation; however, purely EU-related costs and costs generated by other international legislation are not included in the analysis.

2. Reduction targets at the EU level

2.1. Should the European Commission set Net reduction targets at the EU level?

Additional clarifications can be provided during the interview if needed.

2.2. Should the European Commission set reduction targets on:

Additional clarifications can be provided during the interview if needed.

2.3. Should the European Commission set targets related to its own proposals, on finalized EU legislation or on national transposition measures (where appropriate)?

You can also indicate if you think a gradual approach is needed, starting from the Commission proposals and later extending to other EU institutions and Member States.

2.4. Should the Commission coordinate with Member States and exchange data with them in setting and monitoring reduction targets?

2.5. Which initiatives/instruments should provide the basis for the Commission programme?

A cumulative cost assessment is an analysis of how EU legislation from various policy areas affects regulatory costs for a specific set of industry players. See e.g. the study on the aluminium sector ([here](#)).

On life events, see an [example](#) from Germany's statistical office.

2.6. Should the Commission couple the net reduction targets with:

Additional clarifications can be provided during the interview if needed.

2.7. Should the European Commission differentiate targets based on:

Additional clarifications can be provided during the interview if needed.

2.8. Should other EU institutions (European Parliament, Council, Committee of the Regions, Eurostat) participate in the setting and monitoring of reduction targets?

Additional clarifications can be provided during the interview if needed. Please add more institutions if you feel we have neglected some.

2.9. Should Member States participate in setting targets and measuring cost reductions?

There is of course no obligation for Member States to participate. But you are welcome to offer your views on this issue in this question.

2.10. Should Member States exchange data with the European Commission for the purposes of measuring and achieving cost reductions?

Data from Member States would in principle provide the Commission with a useful starting point, but would also come at a very high cost for administrations, also due to the variety in methods that

characterises the landscape of the EU28 today. Please offer your views, either with a yes/no answer or with a more qualified statement.

2.11. Do you think the European Commission could start setting and monitoring reduction targets already in 2018?

Answers are presented in a sliding scale, from the most ambitious to the least. Please offer your views.

2.12. What specific arrangements would you introduce to ensure that the whole exercise is effective, and not overly burdensome for EU and national institutions?

This is an open question, which is aimed at capturing your views on this fundamental issue. Please don't hesitate to attach documents or send longer statements as you see fit.

Annex III. Annotated scorecard Table with comparison of options

Option 1: Measurement and net reduction targets for admin burdens	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Scorecard items				
Comprehensiveness	●● <i>Only covers administrative burdens, for the whole EU acquis</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>
Accuracy	●●● <i>A full baseline measurement has proven to be complex, and it is difficult to achieve a high level of accuracy.</i>	●●● <i>The baseline measurement has proven to be complex,. At least resources could be focused on a few burdensome areas chosen within REFIT</i>	●● <i>The baseline measurement has already taken place in five sectors , but accuracy can be undermined if other sectors experience different burdens.</i>	●● <i>A new baseline measurement done in cooperation between EU and MS would be difficult and likely to rely on extensive extrapolation</i>
Methodological Simplicity	●●● <i>The SCM is a consolidated methodology, but a full baseline takes time and various assumptions</i>	●●● <i>The SCM is a consolidated methodology, but a full baseline takes time and various assumptions</i>	●● <i>The SCM has already been used in five sectors, and for several policies. The parameters chosen would have to be validated before extrapolation</i>	● <i>Setting up a new baseline measurement based on national data would be hard. While most of the EU28 have used the SCM, compatibility of results has proven to be limited and problematic</i>
Timely implementation	● <i>At least three years before the target can become operational</i>	●● <i>The baseline measurement takes time even in single areas.</i>	●●● <i>The baseline measurement has already taken place in five sectors and several policy areas, but scalability would be an issue.</i>	● <i>The baseline measurement would have to rely on a coordination mechanism and an overall strategy that is not yet available</i>
Compatibility with existing commitments	●● <i>Goes beyond the current commitments in terms of scope of policies, but could lead to an Annual Burden Survey</i>	●●●● <i>In line with the Annual Burden Survey commitment and REFIT framework. Falls short of covering compliance costs</i>	●● <i>In line with the Annual Burden Survey commitment, but would fall outside REFIT and might not focus on the most appropriate areas</i>	● <i>Multi-level cooperation is not covered by existing commitments</i>

Option 2 Net reduction targets for admin burdens	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Scorecard items				
Comprehensiveness	●● <i>Only covers administrative burdens, but for the whole acquis.</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>	● <i>Only covers administrative burdens, and only for specific sectors</i>
Accuracy	●●● <i>Might be limited if targets are set politically. However there is no strong reason to expect accuracy to be lower than in option 1A</i>	●●● <i>Might be limited especially if targets are set politically. However there is no strong reason to expect accuracy to be lower than in option 1B</i>	●● <i>The baseline measurement has already taken place in five sectors for a number of policy areas, but accuracy can be undermined if other sectors experience different burdens.</i>	●● <i>MS data are unlikely to be easy to put to use to identify policy areas and set net reduction targets</i>
Methodological Simplicity	●●●● <i>Targets can be set politically based on existing data, without need for an ad hoc data collection. The “delta” can then be measured with the SCM for all relevant EU acquis</i>	●●●●● <i>Targets can be set politically based on existing data, without need for an ad hoc data collection. The “delta” can then be measured with the SCM in a selected number of (REFIT) areas</i>	●● <i>The SCM has already been used in five sectors, and for several policies. The parameters chosen would have to be validated before extrapolation</i>	●● <i>Targets can be set politically but national data are not easy to compare, if not to get an indication of priority sectors. Various aspects of the SCM would be hard to estimate for different MS.</i>
Timely implementation	●●● <i>Setting targets for all relevant EU acquis would take some time, even if the choice is purely political</i>	●●●● <i>Areas are already selected within REFIT, but data are so far insufficient to get started immediately: targets could be set politically, but tracking the “delta” might take more time</i>	●●● <i>The baseline measurement has already taken place in five sectors and several policy areas, but scalability would be an issue.</i>	●● <i>Areas would need to be selected based on MS data, which is not always existing and can be difficult to compare</i>
Compatibility with existing commitments	●● <i>Goes beyond the current commitments in terms of scope of policies, but would support the Annual Burden Survey</i>	●●●● <i>In line with the Annual Burden Survey commitment, and REFIT framework.</i>	●● <i>In line with the Annual Burden Survey commitment,. Area selection could be problematic.</i>	● <i>Multi-level cooperation is not covered by existing commitments</i>

Option 3 Measurement and net reduction targets for compliance costs	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Scorecard items				
Comprehensiveness	●●●●● <i>Very comprehensive: it focuses on all relevant EU acquis and both admin burdens and compliance costs</i>	●●●●● <i>Comprehensive: it focuses on the most relevant EU acquis and both admin burdens and compliance costs</i>	●●● <i>Relatively comprehensive: it focuses on the most burdensome rules as perceived by a selection of industry players, including both admin burdens and compliance costs</i>	●●●●● <i>Comprehensive: it focuses on the most relevant EU acquis (based on MS data) and both admin burdens and compliance costs</i>
Accuracy	●● <i>Baseline for compliance costs can in theory be accurate, but the cost of reaching high accuracy is prohibitively high</i>	●●● <i>Building a baseline of compliance cost in selected policy areas can be costly but could be more accurate as resources are more focused</i>	●●● <i>Calculations have been made based on plant-level data for a representative sample of industry players in five sectors. However, the accuracy of these estimates for all other industries might not be high. Also, it would be costly to scale-up the exercise to many more industry sectors.</i>	●● <i>Accuracy might be undermined by the limited compatibility of data coming from Member States. Most MS have no experience in measuring compliance costs.</i>
Methodological Simplicity	● <i>Probably the most difficult of options: building a full baseline of compliance costs takes time, requires several assumptions and extrapolations</i>	●● <i>Building a full baseline of compliance costs for the most relevant sectors takes time, requires assumptions and extrapolations</i>	●●● <i>The baseline is already in place for specific sectors and policy areas, would take effort to extend to other sectors in the future due to the magnitude of CCA studies</i>	● <i>Building a baseline based on national data would be painful, given that most MS do not track compliance costs and even when they do, definitions do not fully match</i>
Timely implementation	● <i>Building a full baseline before starting might take several years</i>	●● <i>Building a baseline for selected policy areas might take 1-2 years.</i>	●●● <i>The baseline for selected sectors and areas is already available, might take time and effort to extend to other sectors/areas</i>	● <i>Takes time: a stable mechanism for cooperation between the Commission and MS would need to be created and tested</i>
Compatibility with existing commitments	●●●●● <i>Very comprehensive: it focuses on all relevant EU acquis and both admin burdens and compliance costs</i>	●●●●● <i>Comprehensive: it focuses on the most relevant EU acquis and both admin burdens and compliance costs</i>	●●● <i>Relatively comprehensive: it focuses on the most burdensome rules as perceived by a selection of industry players, including both admin burdens and compliance costs</i>	●●●●● <i>Comprehensive: it focuses on the most relevant EU acquis (based on MS data) and both admin burdens and compliance costs</i>

Option 4 Net reduction targets for compliance costs	A All (major) EU legislation	B Sectoral, based on REFIT	C Sectoral, based on CCAs	D Sectoral, based on MS data
Scorecard items				
Comprehensiveness	<p>●●●●●</p> <p><i>Very comprehensive: it focuses on all relevant EU acquis and both admin burdens and compliance costs</i></p>	<p>●●●●</p> <p><i>Comprehensive: it focuses on the most relevant EU acquis and both admin burdens and compliance costs</i></p>	<p>●●●</p> <p><i>Relatively comprehensive: it focuses on the most burdensome rules as perceived by a selection of industry players, including both admin burdens and compliance costs</i></p>	<p>●●●</p> <p><i>Focuses on the most relevant EU acquis (based on MS data) and both admin burdens and compliance costs. Most MS do not map compliance costs..</i></p>
Accuracy	<p>●●</p> <p><i>Might be limited especially if targets are set politically. However there is no strong reason to expect accuracy to be lower than in option 3A</i></p>	<p>●●●</p> <p><i>Might be limited especially if targets are set politically. However there is no strong reason to expect accuracy to be lower than in option 3B</i></p>	<p>●●●</p> <p><i>Calculations have been made based on plant-level data for a representative sample of industry players in five sectors. However, the accuracy of these estimates for all industries might not be as high. Also, it would be costly to scale-up the exercise to many more industry sectors.</i></p>	<p>●</p> <p><i>It might be difficult to agree on targets and policy areas based on MS data, which are often lacking</i></p>
Methodological Simplicity	<p>●●</p> <p><i>Targets would be set mostly politically, which is relatively simple methodologically. The follow up tracking of compliance cost however requires increased use of the existing toolbox</i></p>	<p>●●●</p> <p><i>Targets would be set mostly politically, which is relatively simple methodologically. Tracking compliance cost in selected areas requires increased use of the existing methods</i></p>	<p>●●●</p> <p><i>The baseline is already in place for specific sectors and policy areas, would take effort to extend to other sectors in the future due to the magnitude of CCA studies</i></p>	<p>●●</p> <p><i>The Commission would retain responsibility for assessing the “delta” after choosing areas with MS. Most MS have no specific information on where compliance costs are in the EU acquis.</i></p>
Timely implementation	<p>●●</p> <p><i>Depends on whether targets are set politically in an evidence-based way. Overall, agreeing on targets for all the EU acquis would take some time</i></p>	<p>●●●</p> <p><i>Target-setting in selected REFIT areas can be done more swiftly than for the whole acquis. However, there is no previous experience on sectoral targets</i></p>	<p>●●●</p> <p><i>The baseline for selected sectors and areas is already available, might take time and effort to extend to other sectors/areas</i></p>	<p>●●</p> <p><i>Agreeing on targets and measures based on Member States data might take significant time, and would be politically difficult</i></p>
Compatibility with existing commitments	<p>●●●</p> <p><i>Goes beyond existing commitments, covers all relevant EU acquis. More compatible than 3A as it does not require measurement</i></p>	<p>●●●●●</p> <p><i>Falls within REFIT, it covers admin burdens and compliance costs for most burdensome areas</i></p>	<p>●●●</p> <p><i>Compatible with existing commitments, but falls outside REFIT, and only refers to policy areas that specific industry players indicated as burdensome</i></p>	<p>●</p> <p><i>Existing commitments do not imply cooperation with Member States</i></p>



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